EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,910 | Wednesday August 2 1989 | D 8523A

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The Efta option for East Europe
Page 17

World News

Nationwide debate on Soviet crisis ordered

The Supreme Soviet of the USSR called on all the republican parliaments, regional and town soviets to hold emergency meetings to discuss the economic and political crisis in the country. Page 5

Czechs hold Havel

Czechoslovak police detained dissident playwright Vaclav Havel outside his home but released him after three hours of questioning, dissident sources said.

Abortion hearing

Canada's Supreme Court, setting the stage for a dramatic showdown in the abortion debate, said it would hear the case of a woman fighting for the right to end her pregnancy. Page 6

Talks extended

Violence continued in the provinces of Sri Lanka but relative calm returned to the capital, Colombo, as officials extended talks aimed at securing the withdrawal of Indian troops. Page 2

Dock strike off

The three week long UK national dock strike was called off last night by the leadership of Britain's biggest union, the Transport and General Workers, after most dockers returned to work. Page 18

Yeltsin cautious

Boris Yeltsin, most prominent of the radical Soviet deputies who formed their own group at the weekend, denied creating an opposition to the ruling Communist Party. Page 4

Burma shift

The military rulers in Burma confirmed their intention of shifting the economy from state control to greater private participation. Page 2

Falklands statement

Columba John Sharkey, British ambassador to Uruguay, has made a strong reassertion of British sovereignty over the Falkland Islands. Page 6

Bush man vetoed

President George Bush's nominee to head the Justice Department's civil rights division was rejected by the judiciary committee of the Senate. Page 6

Kabul deadlock

Two days of talks on Afghanistan by US and Soviet officials in Stockholm have failed to achieve progress. Page 2

Atlantic dispute

Denmark has asked the International Court in The Hague to hear its dispute with Norway over fishing rights off Jan Mayen island in the North Atlantic.

Swiss snow alert

Swiss snow-ploughs came out of summer hibernation to clear Alpine passes blocked by unseasonal snow.

Hapsburg complaint

Two members of the exiled former imperial family of Austro-Hungary have complained to the European Court of Justice that Vienna is discriminating against them.

Bill for platypus

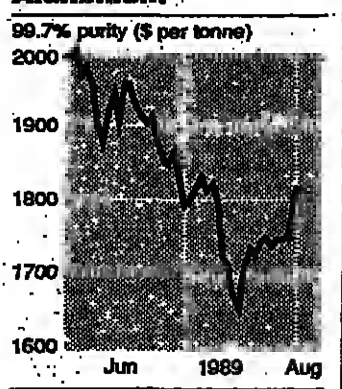
A court in Victoria, Australia, fined Sotheby's, the British auction house, for possession of a colonial rug made from more than 40 skins of the native duck-billed platypus.

Business Summary

BAT decides to intervene in Hoylake's US lawsuits

BAT Industries has decided to intervene in the US lawsuits filed by Sir James Goldsmith's Hoylake group against the state insurance commissioners who regulate BAT's insurance subsidiary, Farmers Group. The intervention will bolster the insurance commissioners' defences against the Hoylake lawsuits, which could have a decisive impact on Goldsmith group's £13bn ($21.5bn) bid for BAT. Page 19

ALUMINIUM: The rally in prices continued as traders reacted to Monday's news of a sharp fall in London Metal Exchange warehouse stocks. Having broken through chart resistance on Monday the LME's three months delivery position advanced another $24.50 to $1,806.50 a tonne. Commodities, Page 28



WALL STREET stocks tumbled after volatile up-and-down trading with recession worries and profit-taking erasing an early rally that came close to all-time highs. The Dow Jones industrial average dropped 19.54 points to 2,641.12.

PROFESSOR Romano Prodi, chairman of IRI, Italy's largest state holding group, said he would step down from his post by the end of October. There was speculation his position had been weakened by the departure of former Prime Minister Ciriaco de Mita.

KAUFHOF, one of West Germany's biggest retail groups, intends to broaden its domestic base by taking a majority stake in Oppermann Versand, large mail order supplier of promotional gifts, in a deal worth DM300m ($160m). Page 20

VIRGIN, Richard Branson's entertainment group has sold its film and video distribution arm, Virgin Vision, to Management Company Entertainment Group of Los Angeles in a deal worth $83m. Page 20

CABLE TV: A consortium of Hong Kong and international companies won a controversial victory for the colony's first cable TV licences after it promised the Government it would provide up to HK$3.5bn ($256m) capital. Page 3

EASTMAN Kodak, battling with serious problems in its photography business, reported a sharp drop in profits for the second quarter. Page 19

CONTINENTAL, world's fourth largest tyres group, is setting up a joint venture in Portugal. Page 20

SWISSAIR achieved gross earnings of SFr215m ($134m) in the first half – a 33.5 per cent rise on the first six months of 1988. Page 20

ELDERS IXL, brewing and agribusiness conglomerate, chief John Elliott found himself at the centre of a political row over his business practices. Page 2

DAO Heng Holdings, which controls Hong Kong'a Dao Heng Bank, won a contest to buy the Hang Lung Bank from the government. Page 21

TEXAS Air reported deep operating losses in the second quarter due to the long strike at its Eastern Air Lines subsidiary. Page 20

US and Israel step up efforts to defuse crisis over hostages

By Hugh Carnegy in Jerusalem, Peter Riddell in Washington and Victor Mallet in London

LEBANESE kidnappars yesterday delayed killing a second American hostage for 48 hours, as the US and Israel stepped up diplomatic efforts to defuse the crisis caused by the reported murder of Lt Col William Higgins on Monday.

In the first sign that Iran may be bringing pressure to bear on its radical supporters in Lebanon, the Revolutionary Justice Organisation said in Beirut that it had postponed the execution deadline for Mr Joseph Cicippio "in response to friendly appeals."

Mr Cicippio was to have been killed at 4pm London time yesterday. The statement from the shadowy Lebanese group cited "special reasons and the plea by Cicippio's wife" for the postponement, but said it would not he repeated. Col Higgins' hanging was announced by another Lebanese gronp calling itself the Organisation of the Oppressed of the World.

Pro-Iranian Lebanese groups are threatening to kill hostages in support of their demand for the release of Sheikh Abdul Karim Obeid, abdncted by Israeli commandos in southern Lebanon on Friday.

While President George Bush consulted his senior national security and defence advisors on how to defuse the latest hostage crisis, Israel reiterated its offer to exchange Sheikh Obeid – together with two colleagues seized with him and 150 other Lebanese Shias – for all the Israeli and Western hostages held in Lebanon.

The Israeli offer was rejected by Hizbollah, the main fundamentalist group to which Sheikh Obeid and many of the kidnappers are thought to be linked.

In a clear effort to forestall criticism in the US and other Western countries whose hostages in Lebanon appear to have been placed under renewed threat by the Israeli kidnap, the Israeli Foreign Ministry issued a strong statement justifying its action. It said Hizbollah was the "most bloody, deceitful and extremist terrorst organisation" and should not be allowed to drive a wedge between Israel and the US.

Mr Yitzhak Shamir, the Prime Minister, making his *first public statements on the affair*, said there were "permanent contacts with various factions abont securing the release of the hostages." Mr Shimon Peres, Finance Minister and Labour leader said: "I believe this matter at this moment must be handled through secret diplomacy."

Israel has said that it has explored "all channels" in attempts to secure the release of three of its soldiers believed held in Lebanon. But defence ministry officials last night refused to say whether contacts were at present being made with Lebanese Shia groups.

The US yesterday intensified its diplomatic efforts to prevent the death of any hostages following the apparent execution of Col Higgins.

President Gaorge Bnsh refrained from public comment as he held virtually continuous consultations at the White House with senior advisors, including Mr James Baker, the Secretary of State.

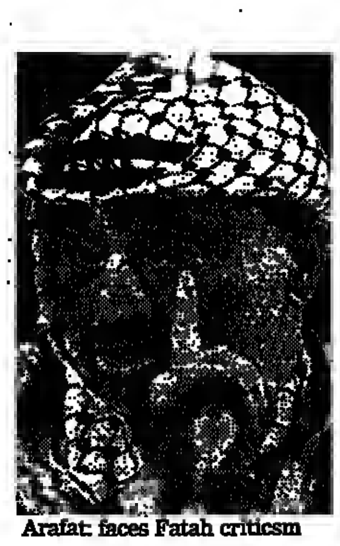
After his initial discussions late on Monday, Mr Bush made "an urgent call to all, all parties who hold hostages in the Middle East, to release them forthwith as a humanitarian gesture, to begin to reverse the cycle of violence in thet region." While Israel was not mentioned specifically, US officials made clear that the aim was to intensify pressure on Israel to release Sheikh Obeid.

Senior administration officials said Mr Bush had made no decision on the range of military and other options presented to him.

The Pentagon was yesterday quick to play down the significance of the departure of the US aircraft carrier Coral Sea and two accompanying cruisers from Egyptian waters to resume operations in the eastern Mediterranean near Lebanon. This was described as "a long-planned" routine move.

Congressional leaders have generally offered strong support to President Bush in his dilemma ahout what to do about the hostages. But there have been calls from rank-and-file Congressmen for military retaliation against the hostage-takers and against Iran.

Despair in Beirut, Page 2; The fear of a wrong move, Page 16


Arafat: faces Fatah criticism

Arafat says US delaying peace talks deliberately

By Lamis Andoni in Tunis

MR YASSIR Arafat, leader of the Palestine Liberation Organisation, has accused the US of deliberately delaying Middle East peace efforts to give Israel time to crush the Palestinian uprising in the occupied West Bank and Gaza Strip.

In his strongest attack on Washington since the beginning of the US-PLO dialogue last year, Mr Arafat told the Financial Times on Monday, on board his aircraft from Baghdad to Tunis, that the US was complying with a request from Mr Yitzhak Shamir, the Israeli Prime Minister, to "allow six months to end the intifada."

"The American manoenvre is very thin and obvious to everybody," he added.

Mr Arafat appeared to reflect growing frustration within the PLO at the lack of progress since it launched a peace initiative in November calling for a two-state solution to the conflict. He faces criticism from within his own PLO faction, Fatah – due to meet in Tunis this week – that he has made *too many* conces-

Continued on Page 18

Cambodia conference lays ground for peace settlement

By George Graham and Robin Pauley in Paris

THE international conference on Cambodia reached agreement in Paris yesterday on a framework for a comprehensive settlement to the country's 19 years of conflict.

Delegates agreed on a detailed programme of committee negotiations over the next month, aimed at drafting a peace treaty to put to the 16 foreign ministers who make up the conference, including those from all five permanent members of the United Nations Security Council, on August 28.

They also accepted an offer from Mr Javier Perez de Cuellar, the UN Secretary General, to send a mission to Cambodia to pave the way for a peace-keeping force.

Three committees will tackle the problems of monitoring the settlement, international guarantees for Cambodian independence, and the return of refugees and reconstruction of the country's economy. An additional committee, including only the four Cambodian factions and the French and Indonesian chairmen of the conference, will try to work ont a domestic political settlement.

Delegates warned that the conference was not yet assured of success. Attempts to reach agreement on a provisional government to hold power until elections can take place may prove particularly difficult, they said.

In addition, they warned that it would he hard to enforce a peace settlement unless the Khmer Ronge agrees to its terms. Yet leaders of the main factions appeared to believe prospects for a settlement were now bright.

"If you want to make love, there are all sorts of tricks you can find to make love, but if you don't want to, you can always find an obstacle," said Mr Nguyen Co Thach, foreign minister of Vietnam, whose decision to pull its occupation force out of Cambodia by September 26 has made the peace conference so urgent.

Mr Khieu Samphan, leader of the Khmer Rouge delegation, was the main opponent of the Paris conference's working document in difficult negotiations on Monday night. By yesterday morning, however, he had changed his mind, after intervention from China, the Khmer Rouge's main backer.

Among the main forces behind the Paris conference's success so far has been the

Continued on Page 18

Bonds gain as slowdown in US confirmed

By Anthony Harris in Washington

CONFIRMATION of a sharp slowdown in the US economy yesterday encouraged the view that monetary policy would continue to ease, sparking a further rise in bond prices.

The purchasing managers' index, the most closely-watched indicator of US manufacturing activity, fell for the third successive month in July, reaching its lowest point since January 1983.

The survey also showed reduced prices for industrial purchases for the second month running, after a 34-month run of increases. The survey points to falling manufacturing output, though not yet to a fall in GNP as a whole.

There was a turnround in Wall Street equity prices, which had been rising strongly before the figures appeared as some investors took profits. But bonds rose more than 1½ points.

Investors were also encouraged by further confirmation from Mr Alan Greenspan, the Federal Reserve chairman, that monetary policy would still be eased.

Mr Greenspan told the Senate hanking committee that the most recent of a series of easing moves was made last week.

The details of the purchasing managers' survey showed a slight fall in production after 35 consecutive months of expansion, and a sharp fall in new orders, with 28 per cent of respondents reporting lower orders, against 17 per cent with increases, the balance reporting no change.

The reports also showed that supply constraints are rapidly easing. The purchasing managers reported that delivery times were shortening, for the third successive month, and that only eight out of 31 categories of raw materials were in short supply.

"So far, the slowdown of the economy and possibility of emergence of a recession has been almost textbook-like" the report says. "Federal Reserve action can cushion the extent of any downturn, but probably cannot prevent it."

Mr Greenspan argued at the Senate committee meeting that the low expectations in industry were a favourable sign that the economy could achieve a soft landing. If expectations were unrealistic, he explained, the result might be a build-up of investors, followed by a sudden drop in output as backlogs were cleared; but with realistic planning, the slowdown would be smooth.

He repeated that he did not expect a recession. "But economic forecasting is a hazardous business," he added.

Markets, Page 38

Kiszczak unable to win backing as PM

By Christopher Bobinski in Warsaw and David Buchan in Brussels

POLAND's political crisis took a new turn yesterday as some parliamentary deputies from the Communist Party and the pro-Communist Peasants' Party failed unexpectedly to back the candidacy of Gen Czeslaw Kiszczak as Prime Minister.

The move came as the US, Switzerland and Austria joined the 12 European Community states at a meeting in Brussels in pledging food aid to Poland. However, only the US promise - of $50m worth of surplus stocks over the coming year - was specific. This would bring the total of food aid committed by Western donors to $170m.

A vote on the proposal that Gen Kiszczak, the veteran Interior Minister, should head Poland's next Government was postponed until today after it emerged that over 50 of the Peasant Party depnties, and a significant minority of the 173 Commnnists would vote against him.

The manoeuvering came as the Government lifted meat rationing and price controls on most food prices, triggering rises of np to 400 per cent.

At the Brussels meeting, convened by the European Commission, all 24 participants agreed to continue efforts to coordinate bilateral economic programmes for Poland and Hungary, and to meet again in early autumn.

But the $170m worth of food promised so far falls far short

Continued on Page 16

Third World loans cause drop in NatWest profits to £352m

By David Lascelles, Banking Editor

THIRD WORLD loan problems cansed a sharp drop in National Westminster Bank's earnings in the first half of this year. At £352m before tax, they were half the profits over the same period last year, after a special charge of £395m.

Yesterday's result was a further blow for the UK's second largest commercial bank, following the Department of Trade and Industry inspectors' report accusing County NatWest, tha bank'a investment arm, of rigging a Blue Arrow rights issue.

Lord Boardman, the chairman who is resigning over the affair, was eager to stress that NatWest remains a strong and profitable bank. He said it was a "solid performance" which "demonstrates NatWest'a strength in today'a difficult markets at home and abroad."

Mr Tom Frost, the bank's chief executive, also went to some lengths to stress tha brighter side. "These first half results show that we are a sound, strong bank. I remain confident about our prospects for the full year and beyond."

The London stockmarket reacted positively, with NatWest'a shares gaining 3p to close at 330p.

The lower result was not a complete surprise after Lloyds Bank's decision last week to make large provisions against Third World loans. NatWest'a special charge raised its cover on loans to 28 problem countries to 48 per cent, compared with Lloyds' 47 per cent.

Lord Boardman conceded that the Blue Arrow affair had an impact on the results of County NatWest. "But now hopefully all that is behind us", he said.

NatWest Investment Bank, the division which covers County, reported a profit of £38m, compared with a £10m loss in last year'a first half. But this included substantial realisations on venture capital projects.

County continued to lose money on its UK equity business, although there was a £6m profit on the large holding of Blue Arrow shares which it still has from the rights issue.

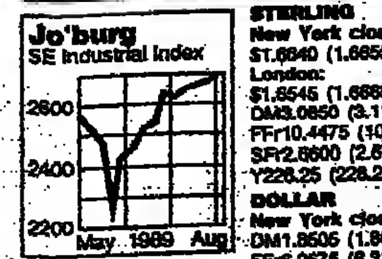
Mr Frost said he had not decided how to replace the three executive directors of the bank forced to resign over the affair – Mr Charles Green, Mr Terry Green, who were both deputy chief executives with responsibility for particular areas, such as sheet management and investment banking; and Mr John Plastow, who was introducing a cost-control regime.

Lord Alexander, the barrister who takes over as chairman when Lord Boardman resigns at the end of September, said he regretted the fact that he had to step in early. "But everything I see here tells me this is a very good bank."

Mr Peter Walters, chairman of British Petroleum, resigned yesterday as deputy chairman of NatWest to make more time for his new role as director of SmithKline Beecham.

The Old Lady sits in judgement, Page 8; Lex, Page 18

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 8 11/16% (8¾)
3-mth Treasury Bills: yield: 7.83% (8.05)
Long Bond: 112¼ (110 31/32)
yield: 7.76% (7.91)
London
3-month interbank: close 13 27/32% (13⅞)

STERLING
New York close
$1.6640 (1.6655)
London:
$1.6545 (1.6665)
DM3.0850 (3.1100)
FFr10.4475 (10.5250)
SFr2.6600 (2.6775)
Y228.25 (228.25)

DOLLAR
New York close
DM1.8605 (1.8650)
FFr6.2675 (6.31405)
SFr1.58825 (1.6065)
Y135.90 (136.95)
London:
DM1.8650 (1.8655)
FFr6.3150 (same)
SFr1.6075 (1.6065)
Y136.75 (136.95)

GOLD
New York latest Comex Dec $378.8 (378.7)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,641.12 (-19.54)
S&P Comp 343.75 (-2.33)
London:
FT-SE 100 2,292.3 (-4.7)
World: 155.09 (Mon)
Tokyo
Nikkei Ave 34,898.46 (-55.41)
Frankfurt
Commerzbank 1948.5 (+35.1)

OIL
Brent 15-day (Argus) $17.20 (-1.75) (August)
West Tex Crude $18.025 (-0.35) (September)

CONTENTS

Italy wrestles with problem of fading political credibility

Giulio Andreotti'a coalition faces tricky questions of short-term economic policy and budget strategy. Ministers know time is running out for achieving the reforms essential in the run-up to the EC's single market. Page 18

OVERSEAS NEWS

War-weary Lebanon reaches a new low

Rarely have the people of Beirut known such despair, writes **Lara Marlowe**

THE sudden renewal of the hostage crisis this week has overshadowed *an announcement which – for* the Lebanese people at least and possibly for the hostages themselves – may turn out to be equally significant.

Arab foreign ministers, burdened by the Arab world and the international community with the task of solving Lebanon's civil war, said on Monday after meetings in Algiers and Rabat that they had reached a dead end.

Although many inhabitants of Beirut had already learnt to regard Arab peace efforts with cynical pessimism, the Arab League's initiative was regarded by some as Lebanon's last chance.

There is now no obvious way to stop the further dismemberment and collapse of what was once a prosperous Mediterranean nation, and little enthusiasm on the part of the superpowers to intervene on the ground.

The civil war began in 1975, but it was in the autumn of 1983 that the commander of the 8th infantry brigade of the Lebanese Army, General Michel Aoun, appealed to the US to provide naval fire support for his battle against Syrian-supported Druze and Moslem militias in the Chouf mountains south-east of Beirut.

Gen Aoun succeeded in bringing the Americans into Lebanon's civil war on the side of the Maronite Christians, which ultimately led to the attack on the headquarters in Beirut of the US Marines by a Shia Moslem suicide car-bomber and the death of 241 American servicemen.

The Americans learnt the lesson: Gen Aoun did not. This paradox is at the heart of the mess into which Lebanon has descended over the last few months – a vicious cycle of destruction unique in the country's 14-year civil war.

In March, Gen Aoun, now army commander and one of Lebanon's two rival prime ministers, led his troops into a new battle – this time against the Syrian Army, which controls a majority of Lebanese territory, as well as its Lebanese Moslem allies. He apparently believed the Western powers would again come to his aid, and that the Lebanese would rally to the cause of forcing a withdrawal of Syrian troops from the country.

On the first count, and by now probably on the second as well, he proved to be disastrously wrong. Amid almost daily artillery battles, the West has displayed little interest in Gen Aoun's "war of liberation." Shelling between Christian forces in east Beirut and the Syrians and Lebanese Moslems in west Beirut has killed more than 500, wounded more than 2,000, caused hundreds of millions of dollars worth of *damage, and led to shortages* of fuel, electricity, water and bread. Rarely have the people of Beirut known such despair.

The conflict has defied all attempts to resolve it. The Americans ignored Gen Aoun's pleas for intervention, acknowledging that Syria has a role to play in Lebanon. Soviet efforts to urge restraint on the Syrians fighting Aoun, and on the Iraqis who are arming him, produced no results. The Arab League has mediated and called five ceasefires, each of them ignored, and resolved to deploy an observer force of more than 300 troops. They never came.

On one level, the Lebanese conflict is now a personal struggle between Gen Aoun and Syria's President Hafez al-Assad. On another level, it is a battle about the Lebanese political system, now partitioned under rival Christian and Moslem cabinets; the Maronite Chris*tians are still holding* out against altering the balance of constitutional power in a revived sovereign Lebanon.

On still another level, it is a proxy war between Damascus and Baghdad, with additional interference from other regional powers such as Iran and Israel. Iraq's President Saddam Hussein – eager to punish Syria for supporting Iran during the Gulf War – began arming Lebanese Christians last summer, almost immediately after the Iran-Iraq ceasefire.

For Syria, which has always feared that its enemies would attack it through Lebanon, the Maronite-Iraqi alliance was a nightmare paralleled in the past only by the Maronites' friendship with Israel.

Each of Lebanon's four main militias – the Maronite Christian "Lebanese Forces" or Phalange, the Druze Progressive Socialist Party and the rival Shia Moslem Hizbollah and Amal movements – is a government unto itself, holding territory and prisoners, collecting taxes and often feuding with the others.

If the Syrians withdrew, as Gen Aoun is demanding, the wholesale anarchy and terror of militia rule would almost certainly return to Beirut and other parts of Lebanon, and the avoidance of such a collapse is the most credible justi*fication for the continued pres*ence of as many as 40,000 Syrian troops in Lebanon.

But many people on both sides of divided Beirut think even this justification is threadbare. The Syrian Army's role in Lebanon has been less than illustrious since it first entered the country in 1976. Like other parties in Lebanon, Syria has been accused of assassinating its political opponents, and its army is heavily involved in the smuggling of goods into Syria. Several Western diplomats in Damascus implicate Syria in Lebanon's lucrative drug trade.

President Assad's critics claim he wants to annexe Lebanon into "Greater Syria," but it would more realistic to assert that President Assad demands a Lebanon that is friendly to Syria and has no dealings with Israel or Iraq. Syria refuses to accept a hostile Iraqi or Israeli foothold on its exposed Western flank.

The tenuous balance between Lebanon's religious communities has long been disrupted by the presence of half a million Palestinian refugees in the country, and was shattered by the Israeli invasion of 1982. But the recent artillery battles have brought the country to a new low.

In effect, Lebanon has ceased to exist as a nation state. Without an end to the Iraqi-Syrian *proxy war that is destroying* Beirut, renunciation by Maronite Christians of alliances perceived as threatening Syria and agreement by the Maronites to the principle of political reforms, it is hard to see how the Lebanese can even begin to pick up the pieces.

Woman outside her shattered Beirut house as civil defence workers clear out her few remaining possessions

Kidnap by Israel plucked Obeid from comparative obscurity

Obeid: minor cleric

By Lara Marlowe in Beirut

UNTIL the Israelis kidnapped him on Friday, the name of Sheikh Abdul Karim Obeid was scarcely a household word in Lebanon, let alone the rest of the world.

In Beirut and Baalbek, Hussein Moussawi and the Hizbollah Sheikhs Fadlallah, Tofeili and Nasrallah were all known for their pro-Iranian sympathies, but the reaction among many Lebanese to news of Sheikh Obeid's kidnapping was puzzlement. One resident of southern Lebanon said he asked 50 Shia Moslems in the region who were the most important Hizbollah leaders, and not one named Obeid.

The Israelis have accused Sheikh Obeid of planning attacks against them and their South Lebanon Army militia allies. But the number of attacks in the strip of Lebanese territory occupied by the Israelis has diminished, and most of the raids are carried out from the lower Bekaa Valley – not from Sheikh Obeid's area between the Litani river gorge and Tyre.

"The Israelis took Sheikh Obeid because they could get him," said a security source close to Amal in southern Lebanon. Sheikh Obeid has been portrayed by the Israelis as a leader of Hizbollah, the fundamentalist group which is believed to hold most of the western hostages.

However, some observers describe him as as a minor cleric who issued anti-Israeli communiqués to gain attention for himself. He lacked the charisma and popularity of his murdered predecessor as Imam of Jibsheet, Ragheb Harb, and his importance derived more from the village's history as a birthplace of Shia Lebanese resistance to the Israelis than from his own activities within the Hizbollah.

As the Imam of Jibsheet, Sheikh Obeid received visiting Iranian Mullahs and there may be some truth to allegations that he was a conduit for Iranian money.

But it was Sheikh Obeid's involvement, however peripheral, in the kidnapping of the American UN officer Lieutenant Colonel William Higgins, that apparently sealed his fate.

After Col Higgins' car was found abandoned on the Tyre highway one afternoon in February 1988, the Amal militia sent several carloads of gunmen to Jibsheet to rescue him.

The 200 Hizbollah members in the village captured the Amal men and held them for two days, incurring the wrath of the Amal leaders and precipitating the Amal-Hizbollah battles that continue in west Beirut. When Amal later investigated Col Higgins's kidnapping, they concluded that Sheikh Obeid's role had been limited to providing a safe house until Higgins was driven in a car with Iranian embassy plates to Beirut.

Soviet visit to Tehran shows ties improved

By Our Foreign Staff

THE SOVIET Foreign Minister, Mr Eduard Shevardnadze, met Dr Ali Akbar Velayati, his Iranian counterpart, in Tehran yesterday. It was his second visit this year and a further sign of the improving relations between the two countries.

The Iranian media have emphasised economic co-operation, and Tehran Radio also said yesterday that Mr Shevardnadze had declared Moscow's readiness to take a more active role in Iran-Iraq peace talks.

But Mr Shevardnadze's visit has been overshadowed by the worsening of the hostage crisis in Lebanon, and he is certain to discuss the issue in detail with Iranian leaders.

In Moscow, the Foreign Ministry denounced the reported hanging of Lt Col William Higgins, the US hostage, as "inhuman" and said Israel was to blame for abducting Moslem cleric Sheikh Abdul Karim Obeid. "The fact that the aggravation of the situation in Lebanon, caused specifically by the abduction of Shia leader Sheikh Obeid by Israeli commandos, has led to an escalation of acts of violence and terror evokes profound concern," the statement said.

In Tehran, Mr Shevardnadze was quoted as saying that the Soviet Union was ready to expand relations with Iran in all areas. When Hojatoleslam Ali Akbar Hashemi Rafsanjani, now Iran's President, visited the Soviet Union as Iran's Parliamentary Speaker in June he concluded a series of economic agreements into the 21st century, including a Moscow pledge to boost Iran's defences.

Tehran said the projects - in energy, railways, dams and other fields - would cost it a total of $15bn, half of it in hard currency. Iran will pay partly by exports of natural gas to the Soviet Union, expected to begin next year.

Australian Liberal party president at centre of shares row

By Chris Sherwell in Sydney

MR John Elliott, chief of the Elders IXL brewing and agribusiness conglomerate and president of Australia's opposition Liberal party, found himself at the centre of a political row over his business practices yesterday.

A senior minister in the Labor party government alleged that a Liberal party MP had suggested that a parliamentary committee should investigate the issue of partly-paid Elders shares to Mr Elliott and other Elders directors.

The allegation came in a television interview given by Senator Peter Walsh, the outspoken Finance Minister, who has previously attacked Mr Elliott directly, both for his political views and his management of Elders.

Senator Walsh refused to identify the Liberal MP, who apparently approached him earlier this year, or to detail the circumstances in which the inquiry was suggested. Nor is there any suggestion Mr Elliott has done anything illegal.

The allegation is nevertheless regarded as significant because of its political and moral implications for Mr Elliott and his party at a time when the Liberals, under the recently reinstated leader Mr Andrew Peacock, are trying to rally supporters through a "dummy" election campaign.

At the heart of the issue is the Elders practice of issuing one cent partly-paid shares to directors as part of their incentive-based salary packages. Although relatively insignificant in itself, the practice is reckoned to give directors unfair benefits when the group makes scrip issues of fully-priced shares.

Elliott: directors' shares

The matter has been raised at the very moment that key Elders directors, through a group called Harlin Holdings, stand to acquire full and direct control of the group through a complex transaction involving an offer to shareholders to sell or buy Elders shares.

It also coincides with highly-publicised attacks by Mr Elliott on Australians' "welfare mentality," in which he has suggested, controversially, that a Liberal party government would have to impose significant cuts in welfare spending to put the debt-ridden Australian economy back on course.

Shortage of labour in Japan worsens

By Stefan Wagstyl in Tokyo

JAPAN'S labour shortage is worsening, according to figures published yesterday showing that in June the number of vacancies outnumbered job seekers by 34 per cent, the highest figure since 1974.

The official monthly report from the government's Management and Co-ordination Agency, comes amid fears that rising demand for labour could lead to both inflationary wage offers and increasing numbers of illegal immigrant workers.

The ratio of vacancies to job seekers increased from 1.27 in May to 1.34 in June, said the agency, with the largest rises recorded in service industries. The seasonally-adjusted unemployment rate fell 0.2 of a percentage point to 2.2 per cent, the lowest in more than seven years.

"The jobless rate could even decrease to around 2.0 per cent by the end of this year," said Mr Toshiaki Kakimoto, senior economist at Sumitomo Bank.

On an unadjusted basis, Japan's unemployed in June totalled 1.34m, down from 1.50m the previous month.

The overall number of employed in June totalled 62.39m, up 1.33m from the previous month, the biggest rise since a 1.35m gain in November 1973.

The agency said that employers in manufacturing as well as services were eager to hire more people, including part-time staff. Employment in manufacturing was 15.22m, some 700,000 higher than in June last year, while in services the figure rose by 550,000 to 13.58m. Employment in construction was up 90,000 at 5.76m.

FRELIMO CONGRESS BACKS PEACE TALKS WITH REBELS

Hopes rise of end to war in Mozambique

By Nicholas Woodsworth in Maputo

IN STAMPING *an approval of* pragmatic changes last week end, Mozambique's left-wing Frelimo government has created new prospects for an end to the country's 13 year old war and a revival of its battered economy.

Speaking on Monday at the conclusion of Frelimo's Fifth National Congress President Joaquim Chissano said Congress had supported resolutions backing peace negotiations with rebels of the Mozambique National Resistance.

With the support of South Africa F W De Klerk President Chissano and MNR leader Afonso Dhlakama are now expected to hold peace talks mediated by Kenyan president Daniel Arap Moi.

Frelimo's willingness to negotiate is qualified by the demand that MNR renounce all use of violence but the government has come a long way in accomodating the MNR.

The Frelimo Congress was characterised by a sharp ideological shift away from Marxism-Leninism to pragmatic policies of greater democracy and economic liberalisation. Politically Frelimo has now committed itself to broadening party support by including groups such as businessmen, property owners, and religious leaders previously excluded on ideological grounds.

Economically, it has shifted emphasis to production by individuals rather than by the state. Most of these changes have been brought about in an attempt to revive an economy severely affected by the war. But this and an IMF sponsored recovery programme is not enough to put the country back on its feet. For this peace is necessary.

MNR activity, responsible for widespread hunger, the death of more than 300,000 children through disease and starvation, and the creation of more than 2m refugees, has brought about the near paralysis of every productive sector in the country.

Mozambique currently earns less than $100m a year in exports, two thirds of which comes from sales of prawns and cashew nuts. Last year its import bill totalled $764m. Total foreign debt now stands at $4.4bn and the debt service ratio is 177 per cent.

Three questions now face Frelimo in any negotiations with the MNR. Government armed forces recently launched a major campaign in the Gorongoso region of central Mozambique. While increased military activity may help in bringing the MNR to the negotiating table, it may also prove to be a source of rebel recalcitrance.

Secondly, the MNR has stipulated fresh elections, changes to the constitution, and the establishment of a multi-party system as conditions of participation in the political process; Frelimo is unlikely to accept anything less than compliance with its own constitutional procedures.

The third and most serious question is the MNR's ability to bring widespread lawlessness to a halt; with the presence of large numbers of armed men grown used to a violent way of life, many observers doubt an order by MNR leaders to lay down arms would be wholly effective, and whatever the outcome of talks, predict continuing violence for some years to come.

Sri Lanka pullout talks extended

By Mervyn de Silva in Colombo

VIOLENCE continued in the provinces of Sri Lanka yesterday but relative calm returned to the capital, Colombo, as Sri Lankan officials extended talks in India on the withdrawal of Indian troops from the country.

Military officials said that at least 19 people were killed the previous day by Sinhalese extremists, who opposed the continuing presence of about 45,000 Indian troops beyond the July 29 deadline set by President Ranasinghe Premadasa.

There were also reports of troops and police firing on gatherings of demonstrators, apparently organised by a radical Sinhalese group, in provincial centres.

Colombo returned to near-normal yesterday, though a land-mine exploded in a suburb a few seconds after a truckload of soldiers had passed. Shortages of food and fuel remained a problem as the markets, shops, banks and government offices began to reopen after being shut for five days.

The deadline for a total pull-out of the Indian peacekeeping force prompted a token withdrawl of about 600 soldiers. A Sri Lankan delegation, in India to discuss further withdrawals, extended negotiations in an attempt to reach agreement.

HK shares charge dropped

HONG KONG prosecutors dropped a corruption charge against Mr Ronald Li, 60, the territory's former stock exchange chairman, but added three additional bribery charges when Mr Li appeared in a magistrate's court yesterday, Reuter reports from Hong Kong.

The new charges include accepting HK$630,500 (£58,500) and 500,000 shares as an inducement to support the listing of the Hong Kong-based airline Cathay Pacific, and of accepting 300,000 shares in a Hong Kong textiles company, Novel Enterprises, for a similar reason.

The withdrawn charge alleged that he accepted 1.1m shares in Kumagai Gumi (HK), the Hong Kong arm of the Japanese construction company. No reason was given in court for the dropping of the charge.

Mr Li, who was arrested in January last year and was released on HK$12m bail, faces 13 other charges of soliciting and accepting bribes while he was chairman of the Stock Exchange and convenor of its listing subcommittee.

Seven other former Stock Exchange officials face the 13 charges with him, and the former chairman's son, Mr Alfred Li, a solicitor, is accused of three counts of aiding and abetting. All are due to appear at a magistrate's court on August 9.

Deadlock in Afghan talks

TWO DAYS of talks on Afghanistan between US and Soviet officials in Stockholm have failed to achieve progress, a senior US official said on Tuesday, Reuter reports.

"Other than a frank *exchange we came to no* results at all," Mr John Kelly, the US Assistant Secretary of State, said at the end of the talks, the first superpower meeting on Afghanistan at this level in 15 months.

The Soviet delegation's leader, Mr Nikolai Kozyrov, would not comment, beyond *saying the talks were "fruitful* and useful."

As the delegations met, reports from Afghanistan indicated both superpowers had stepped up arms shipments to the Soviet-backed government of President Mohammed Najibullah and the US-backed Mujahideen rebels.

Mr Kelly said differences between the parties still *blocked progress towards end*ing the conflict. The Soviet ambassador in Kabul said last month that the Soviet delegation would use the meeting to propose an agreement obliging both superpowers to stop supplying arms for the war.

Mr Kelly said no such agreement had been reached. He *said he and Mr Kozyrov had* also discussed the hanging of US Lt Co William Higgins and the fate of other hostages in Lebanon.

Burma looks to private sector

BURMA'S military rulers yesterday restated their intention of shifting the economy from state control to greater private participation, Reuter reports from Rangoon.

This government-controlled Working People's Daily said the private sector was "being given priority" and the economy, was "being opened to private investment." But Western diplomats in Rangoon said there were only limited opportunities for private enterprise in an economic system still dominated by senior military officers.

Ben Ali seeks prosperity as basis for a more open Tunisia

Economic reforms will determine the success or failure of the political ones, writes **Francis Ghiles**

SINCE President Zine El Abidine Ben Ali took over from the ailing and increasingly despotic Mr Habib Bourguiba in November 1987, he has been widely praised, at home and abroad, for the political reforms he has introduced.

But the reforms in the management of the economy which he is trying to promote are no less important and, in the longer run, their success or failure will determine the fate of the more open society he and Prime Minister Hedi Baccouche are seeking to establish in North Africa's smallest country.

The President's task has been made easier, so far, by the presence at the central bank of Mr Ismail Khelil. As Minister of Planning during the difficult period between the bread riots of January 1984 and November 1987, Mr Khelil sought to convince a most reluctant Prime Minister (then Mr Mohammed M'Zali) and the increasingly senile head of state of the desperate need for fundamental economic reforms.

The pace of reforms aimed at liberalising the economy has, however, since last summer, been slowed by the consequences of a second year of drought. Much of the cereal crop will be lost this year, a situation which spells much higher unemployment in rural areas already affected by the drought and plague of locusts last year.

One third of Tunisia's labour force is employed on the land full time or seasonally and the fast rise in the numbers of those who have found no work for 18 months, and are drifting to the coastal towns, is worrying the authorities. Many water reservoirs are below minimum security levels and irrigation has been curtailed in many areas.

A poor cereal crop also spells higher imports (last year the food trade deficit rose to $250m), higher food prices and the necessity of rescheduling farmer's debts. It will also push up the cost of subsidising staple foods which cost nearly $300m last year, a figure which is expected to rise by one third this year.

Despite a conservative wage policy, small increases were granted to state and private employees last January. Such support, when added to what is needed to help farmers, will probably not allow the Government to cut its deficit as a percentage of gross domestic product to the hoped-for 3.9 per cent. The deficit has, however, declined markedly from the 5.2 per cent reached in 1986.

Meanwhile, the International Monetary Fund and World Bank remain unstinting in their support while Tunisia has yet to draw from the SDR207.3m (£160m) Extended Fund Facility agreed in June 1988. And the World Bank has just approved a $130m loan to support the restructuring of three major state companies in the phosphate, chemical and railways sectors.

Hard currency reserves have been rebuilt from virtually zero in mid-1986 to $900m at the end of last year and the country's foreign debt service ratio as a percentage of exports of goods, services and workers remittances, was, last December, at a manageable 23 per cent. Tunisia's credit rating remains excellent.

Despite the drought, Tunisian exports of manufactured goods continued to increase – they improved by 12 per cent last year, with textile exports earning TD600m (£400m).

This year's tourist receipts may be a little short of the record $1.2bn recorded in 1988 as fewer Libyans are travelling north but their 21.9 per cent contribution to overall growth in exports of goods and services in 1988 *remains unmatched* by any other sector of the economy. Tourism continues to play a major role both as an employer and an earner of hard currency.

The country is attracting interest from a broader range of overseas investors than hitherto. But foreign investment has fallen substantially since the early 1980s when a number of joint development banks established in Tunisia by Kuwait, Saudi Arabia, the United Arab Emirates and Qatar fostered a surge in investment activity. Kuwait has withdrawn its long-standing investment in the phosphate industry while *other Arab investor are slow to* diversify away from tourism and real estate.

The authorities do not hide their disappointment at the overall level of investment – $2.1bn last year, which was $120m below expectations. The cost of foreign exchange, a certain uncertainty about economic policy and a lag between project planning and actual commitment of funds are all plausible explanations.

As important, however, is the fact that Mr Ben Ali has not been able to renew personnel lower down the hierarchy and the visitor senses little enthusiasm for hard work in what remains an amorphous bureaucracy well set in its indolent ways.

The persistence of the two month *seance unique* every summer, during which all servants of the state and not a few private companies work only during the mornings is a case in point.

Gross domestic product growth was a modest 0.9 per cent last year but, *if the activities of the large* informal sector which includes women in the countryside, house staff and construction workers are added, that figure would be much higher. Social hardship has not affected the popularity of the head of state but recent speeches suggest Mr Ben Ali knows that difficult decisions await him.

The success scored by Moslem fundamentalists candidates in general elections last April, where they picked up roughly one fifth of the vote in many large coastal towns, shows that there is a groundswell of discontent with the RCD. Convincing the populace at large of the need for economic liberalisation is vital to President Ben Ali's chances of making his political reforms stick.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) [illegible]

OVERSEAS NEWS

The settlement of conflicts which have caused people to become refugees should logically encourage their return. But if they have been refugees for a long time their return becomes problematical. It is therefore heartening that after 13 years of war in Namibia, some 40,000 refugees are going home; and in Central America the prospect of ending almost 10 years of war in Nicaragua has encouraged some of the 80,000 refugees to return

Namibia accord allows 40,000 to return home

IN SEARCH OF REFUGE

NAMIBIA, once part of a seemingly intractable dispute, shows how effectively refugee agencies can operate once a political settlement is in place.

These victims of more than two decades of war are amongst the beneficiaries of a United Nations settlement plan drawn up more than 10 years ago, and which from the start made specific provision for the welfare of Namibians who fled their country's conflict to the comparative safety of neighbouring Angola and Zambia.

First attempts at dealing with the refugee problem came in 1978, when the UN endorsed Resolution 435, the basis of the US-brokered settlement eventually accepted by South Africa, Angola and Cuba in New York last December.

At the time, tha refugees' plight was peripheral to the central issue: how to persuade South Africa to end its control of the territory, declared illegal by the UN in 1966.

Fighting ended late last year, when South Africa agreed to cede independence to Namibia in return for a phased Cuban withdrawal from Angola. At that point the refugees moved from being part of the fine print of the settlement to being a pressing concern.

On April 1 this year the UN plan was set in motion, and on-the-ground preparations for the refugees' return from Angola – where most were living – and Zambia began. Three entry points were designated: the Namibian capital of Windhoek, Grootfontein in the north-east, and Ondangwa, near the Angolan border. Reception centres were set up to provide temporary accommodation.

Because of the long distances, most of the refugees would return by air, involving 350 charter flights, costing nearly a quarter of the whole exercise's $40m budget. Guarantees of safety were drawn up. Special arrangements were made for the ill, elderly, and handicapped.

Efforts to help returnees become re-united with their families and relatives and find homes and jobs got under way, assisted by the International Red Cross and the Council of Churches in Namibia. The timing of the exercise was also linked to the implementation of other aspects of the settlement plan – such as the repeal of remaining discrimnatory laws.

The programme encountered hitches: an incursion by Angolan-based guerrillas of the South West Africa Peopla's Organisation (Swapo) on tha eve of April 1, the formal start of the seven-month transition to elections, saw a renewal of fighting in the north. Negotiations between the UN and the South African authorities over the terms of an amnesty for refugees took longer than expected.

As a result the first refugee flight, originally scheduled for *May 15, did not take place until* June 12, when the first aircraft landed at Windhoek. But by mid-July nearly 21,000 refugees had returned home, 19,000 from Angola, and nearly 2,000 from Zambia.

"In northern Namibia, where most of the returnees originate," says Mr Jeff Crisp, a UNHCR official, "the operation has been going almost exactly as planned. As new arrivals fly in from Angola," he explains, "those who returned three or four days previously are leaving the reception centres and making their way back home. Some are collected by friends and relatives, while others are taken to local church mission stations and schools which have been established as secondary centres. Two or three days later, they move on to their own village."

In the meantime the refugees are unwittingly at the heart of a growing political dispnte. Swapo – which has been allowed effective control of the refugee camps – and the host governments have claimed that the camps hold as many as 80,000 people. Funds have been allocated by the UNHCR and other agencies on the basis of this figure, which has never been independently verified.

Last month Mr Jean-Pierre Hocke, the UN High Commissioner for Refugees, said only 41,000 refugees had registered to return. UNHCR officials believe this is close to the final figure.

Swapo officials maintain that nothing improper has taken place, although rival political parties in Namibia claim that some of the funds and materials earmarked for refugees – worth $4m at its peak in 1984, says Mr Hocke – have been put to other uses, such as helping maintain Swapo and its Angolan-based guerrilla army.

Michael Holman

Managua makes redress for a political blunder

THE prospect of a negotiated end to civil strife in Nicaragua has led the United Nations High Commission for Refugees to expect a new wave of repatriations from among the 62,000 Nicaraguan refugees living in Honduras and Costa Rica, plus the 10,000 remaining Miskito Indians and some of the 12,000 persons living with the Contra rebels.

Regional UNHCR offices have been established in recent months at Bluefields and San Carlos in southern Nicaragua, and most recently at Esteli in the north.

Since the first repatriation programmes began in 1986, a total of 15,000 Nicaraguans, mostly Miskito Indians, have returned home under the auspices of the UNHCR. Another 20,000 have returned under their own steam. When one considers that the entire Miskito population is about 80,000 the scale of social devastation of the war on the Atlantic Coast can be appreciated.

The fact that only 9,000-10,000 Indians now remain in Honduras and that many of these are expected to return in the coming six months is a measure of the Nicaraguan Government's success in defusing its conflict with the Miskitos through a plan to grant them autonomy.

In 1982 an attempt at forced resettlement of the Rio Coco Miskito communities to Tasbah Pri, in the interior of the country, proved a political blunder. Many simply left to join the Contras or fled to Honduras.

The Sandinistas had wanted to control the frontier as the war on the Atlantic coast began. Some of the evacuated villages were burned down to deny them to the Contras. As repatriation gets underway, practically all of the villages have to be completely rebuilt.

Nicaragua, having admitted its blunder, now has legislation in place which is widely considered to be one of tha most advanced in Latin America regarding indigenous communities. The elections to a regional autonomy council are to be held along with the general elections next February.

Within Nicaragua the real refugee problem is that of about 350,000 internally displaced persons of a population of 3m, many of whom have been resettled at great expense over the past four years in new rural communities and farming co-operatives.

Others have helped swell the urban population, especially in Managua, straining the capital's public services. Some 25 per cent of the rural population has been affected by war.

A further 125,000 Nicaraguans left the country legally between July 1979 and December 1988, according to official migration statistics. Many headed for the US and Canada. These are the economic "refugees" and are primarily urban-based professionals or skilled and semi-skilled workers and their families.

Tim Coone and Robert Graham

WORLD TRADE NEWS

Brazil signs power deal with Bolivia

BRAZIL has signed a 25-year contract eventnally to be worth between $250m (£147m) and $300m a year for electricity supplied from Bolivia's gas fields, Ivo Dawnay reports from Rio de Janeiro.

The contract, under sporadic negotiation for more than a decade, involves the equivalent of 3.5m cubic metres of gas a day.

By the second half of 1992, when supply should begin, Bolivia will be providing 1,800 MW, rising to 3,000 MW from 1996. Its Brazilian earnings will eventually add abont 50 per cent to the value of its total exports, currently $480m a year.

Bolivia is to build a gas turbine generation plant at Puerto Suarez on the Brazilian border. Electrobras, the Brazilian state-owned utility, will build transmission lines to take the power to farming communities in Brazil's centre-west regions.

The contract also involves Brazil buying 330,000 metric tonnes of urea fertiliser, 100,000 for its domestic market and the rest for re-export.

At one point, Brazil appeared interested in importing gas directly. But wrangling over the prices, and reported reservations on the part of Petrobras, the Brazilian state-owned oil and gas monopoly, appear to have shelved that option.

Y K Pao group wins cable TV fight

By John Elliott in Hong Kong

A CONSORTIUM of Hong Kong and international companies led by Sir Y.K. Pao's Wharf group, and including US West, yesterday won a controversial victory for the colony's first cable television licences after it promised the government that it would provide up to HK$5.5bn (£426m) capital for the 15-year project.

It also agreed to pay royalties averaging 7 to 8 per cent on receipts.

Called Hong Kong Cable Communications, the consortium beat its only significant rival, Hntchison CableVision, which was led by Mr Li Ka-shing's Hutchison Whampoa and included British Telecom.

Hntchison has spent HK$100m pursuing the project during the past five years and has been the main contender for over a year. It was backed by Arthur D. Little, the government's consultants, and by Hong Kong's Broadcasting Authority.

But in the past two weeks Mr Li Ka-shing and his partners have refused to raise their own investment plan of HK$4.2bn or increase royalties beyond 5 per cent.

It is understood that the expected downturn in Hong Kong's economy following the recent events in China was one of the factors persuading them to take this line.

According to one senior executive, Hutchison was not prepared to take part in a "Dutch auction" with the government which had "moved the goal posts".

This was unanimously decided by all the consortium partners which include the Peking-based China International Trust and Investment Corporation, Hongkong Bank, and Swire Pacific, as well as Mr Li Ka-shing and British Telecom.

"We were not prepared to modify our business plan, which the shareholders felt comfortable with, and raise our royalty payments by about HK1bn over the 15 years, nor increase the capital expenditure figure by over HK$1bn," Mr Craig Ehrlich, Hntchison CableVision managing director, said last night.

The government's demands were set out in a letter on July 18, six months after tenders were submitted.

They posed fewer problems for Hong Kong Cable because its investment plan, at HK$4.8bn for the first five years, was nearer the government's required HK$5.5bn.

It agreed to a formula that it will "need to invest HK$4bn to build the system" but has also "promised to guarantee up to a maximum of HK$5.5bn".

This group originally proposed to pay the government a 10 per cent royalty on receipts. This has come down to a sliding scale amounting to about

Sir Y.K. Pao: licences

7-8 per cent, with a ceiling of 10 per cent.

This is expected to provide the government with about HK$3bn over 15 years. Hutchison however originally offered only 5 per cent and was not prepared to budge.

The government asked for the HK$5.5bn and the royalties to be legally guaranteed or underwritten to ensure that the winner did not abandon the cable TV network if the economy worsened in the run-up to 1997 when Hong Kong reverts to Chinese sovereignty.

Such a request did not go down well with Mr Li Ka-shing's consortium which comprised the most august business names in the colony.

This prompted speculation that the government partly designed the requirements to ease Mr Li Ka-shing out of the lead because he already controls much of the colony's infrastructure, including the main electricity company and container port.

Sir Y.K. Pao's Wharf (Holdings), a property and transport group which yesterday declared post-tax profits of HK$1.11bn, has a 28 per cent stake in Hong Kong Cable.

Its partners are led by Sun Hung Kai Properties of Hong Kong with 27 per cent and US West with 25 per cent. Stakes of 10 per cent each are held by Shaw Brothers which controls Hong Kong's TVB television station, and by Belgium's Coditel cable TV company.

The licences are important because the new TV network can immediately be used for non-voice telecommunications services and will also be available for voice telecommunications if a monopoly held by Hong Kong Telephone is not renewed by the government in 1995. The cable TV network, with a potential market of 1.5m homes, will be the world's biggest.

Hong Kong Cable is to start broadcasting in 1991 with 16 channels. The licences, still to be negotiated in detail, will provide a monopoly for the first six years.

Wharf results, Page 24

China boosts trade quality inspections

COMPANIES selling cars, motorcycles, refrigerators and TVs to China will have to obtain quality certificates, under a new law in effect from yesterday, AP reports from Peking.

Details of the law on import and export commodity inspection, requiring 481 Chinese products to undergo checks before export, to improve quality control, have been reported in the China Daily.

China has complained countries are dumping low-quality goods there. The new law could be used to slow the pace of such consumer imports. Imports topped exports by $5.7bn (£3.3bn) in the first half of this year.

Zhu Zhenyuan, head of the Inspection Administration, said poor quality goods have hurt China's trading reputation. The worst problems with exports occurred with products difficult to inspect. Some companies substituted uninspected goods for good-quality items after inspection for export.

Fines will be set for breaking the inspection law and other agencies will be authorised to carry out checks that cannot be done by China's 10,000 trade inspectors. Inspection stations will be set up in the US, West Germany, Australia, the Philippines, Singapore and Bangladesh.

Copenhagen sanctions new fix for its hippy quarter

Scandinavia's drug suburb has won legal recognition and state aid from Denmark, writes Xueling Lin

A WALK down Pusber Street in Christiania is not unlike a stroll through any European fruit and vegetable market, except in Christiania the street sellers shout "basb" instead of "apples."

Christiania, the site of an old barracks close to the centre of tbs Danish capital, Copenhagen, bas been described alternately as a "social experiment," "a free state" or "the garbage can of Scandinavia."

The 1,000 inhabitants, half of whom are on welfare support, do not pay taxes and carry on a semi-slum life on the fringe of Denmark's affluent society. Their homes in the old barracks are separated physically from the city centre by water on three sides, bnt the reputation for narcotics and disorder has formed a far greater division from Denmark's tidy, welfare state.

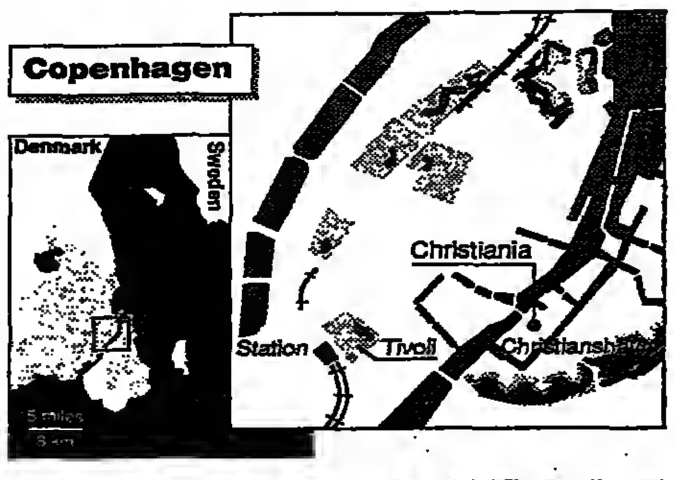
The free and easy community on Christiania is a continual embarrassment to tbe Danisb Government, particularly because of tbe unrestricted sale of cannabis in the area. The other Nordic countries, Sweden and Norway, complain bitterly and regularly at Nordic Council meetings, an annual regional get-together, about Christiania. They claim, not without justification, that much of the cannabis found in Scandinavia comes by way of the "free state." Sweden's criminal investigation bureau estimated that 80 per cent of all cannabis seized in Sweden in 1987 arrived via Christiania.

The community came into existence in 1971 whsn six bomeless young people broke into an old barracks abandoned by the Defence Ministry. The squatters began to accumulate and tbe number of 1970s swingers swelled to more than a thousand by the end of 1973. This semi-nomadic population tapped electricity for Christiania from ths nearby naval base at Holmen.

The Christianitters, as the new residents called themselves, took their fight to stay on the island to the Danish courts in 1977. They lost, and the courts ordered Christiania to be cleared up.

The tben Social Democrat Government breathed a sigh of relief, hoping tbat tbe court bad settled this particnlar political bot potato for them. They did not, bowever, take into account how far outside the rule of law and order Christiania was.

The court bailiffs were too frightened to carry ont the eviction orders and the situation ended in a stalemate, with the police keeping out of Christiania and the sales of cannabis being kept in. When Prime Minister Poul Schlüter's centre-right minority coalition was formed in 1982, the far-rigbt Progress Party put pressure on the Government again to try to close Christiania.



Petty crime in the neighbourhoods near the free atate had picked np and the area served as a refuge for more serious criminals because of its "no-go" status with the police. The problem gave rise to lengthy reports and the formation of a committee by the Defence Ministry to discuss the possibility of bringing Christiania within the realm of normal Danish law.

The matter died a quiet death wben tbe committee reported that it would cost the Government DKr105m ($13.7m) to re-house the Christianitters and restore the area wbere they had lived.

Christiania has survived more than 11 debates in the Folketing (parliament) in the 18 years it has existed free from significant state intervention. In the winter of 1988, however, the Government met a lobby from an unexpected quarter of Danish society.

Danish restaurateurs complained about the roaring trade enjoyed by the 14 bars and restaurants in Christiania which operated without licences and paid no taxes on alcohol sales. Ona of the restanrants, the Flea Market, was even awarded the gourmet accolade of five chef hats by a leading Danish newspaper.

The coalition Government used the concern of the catering industry as an excuse to mount a police raid earlier this year into Christiania to close down the bars and restaurants.

Vinlent clashes broke out between police and Christianitters, but the Government victory was short-lived. The bars and restaurants reopened a few hours later and the myth that Christiania was beyond the law was restored.

The Government, which had turned a blind-eye to life in Christiania for so long, then tried a different tactic: the Folketing decided in June to grant Christiania legal status. The Bill was almost an anti-climax for the residents who had spent years being ignored by the public machinery.

Previous attempts to clear up Christiania by coalition governments were handicapped by the left-wing Radical Liberal Party, which wanted Christiania kept open.

Ironically, it is now a centre-right government pouring money into Christiania for the first time.

In return, however, the Christianitters will have to accept some of the rules of the society outside the fort; a resident's committee will be set up and bars and restaurants will have to be licensed.

The Christianitters have taken the change surprisingly well; their voluntary social workers claim unheard of payments are being made for electricity and water and even some taxes are being collected. They have gone as far as saying they are willing to try to live within the legal framework.

Mr Bent Kjlerskov, Criminal Inspector and head of the Copenhagen Police Narcotics Department, is more sceptical about the new law and in particular its ability to control sales of cannabis. He argues that it is impossible to trace the drug pushers after a find in housing where up to 20 people live in each flat.

Efforts to bring Christiania within the Danish society may, however, be more effective than expected. Many of the residents have lived in Christiania for several years and there is a growing sense of possessiveness and protectionism in the free state. The Christianitters recently built a wall to keep out foreign hash dealers and restricted the profits existing dealers can make.

Self-regulation and a new a dependency on state subsidies may produce a Christiania which is not so different from the conventional Danish society it has scorned.

Yeltsin explains alternative vision of radical group

By Quentin Peel in Moscow

MR BORIS YELTSIN, the most prominent of the radical Soviet deputies who formed their own group at the weekend, yesterday denied creating an opposition to the ruling Communist Party – but admitted they would act as a ginger group.

With 269 members, and another 119 promising their support, the group is only a small minority of those elected to the 2,250-strong Congress of People's Deputies. However, it contains many of the most articulate and outspoken members.

"We will put forward alternative proposals," Mr Yeltsin said in an interview with the trade union newspaper, Trud, "but this will be done in the framework of proclaimed pluralism, contradicting neither the constitution, nor our laws."

He admitted that the radicals were a minority in the Congress, and "lost on many issues because they were poorly co-ordinated."

Mr Yeltsin, expelled from the ruling Politburo and the Communist Party leadership of Moscow for demanding more radical reforms, blamed "the leadership of the country and the party" for perestroika proceeding too slowly and indecisively.

He criticised the legislative agenda of the Supreme Soviet, the standing parliament elected by the Congress, saying it failed to reflect the crisis in Soviet society.

"We are being asked to devise laws on youth and inventions ... but thsy can wait. We have to resolve those problems which are crying out to be dealt with, which have driven our economy and national relations into a corner. And there has to be a more radical solution to these problems. Half measures will ruin us."

He denied that the gronp was a threat to national unity at a time of crisis. "The word 'unity' has already done a great deal of harm to our country," he said. "By unity, it was always meant that we all have to think as the leader of our country thought. It is precisely in the battle of views and opinions that the true view becomes apparent."

On the other hand "direct opposition must not be an aim in itself. The time has come to achieve concrete results connected with people's lives."

Gash in the heart of Irish heritage

AT TRAFFIC lights in Bangkok you might be asked to buy a garland of heavily scented jasmine or offered the address of a massage parlour.

In Bogota, it might be your wiper blades for sale, stolen at the previous set of lights.

In Cork these days, people tap on your window and show you a salmon, available at a knockdown price.

Poaching is an old tradition in Ireland. Battles between landlord and poacher are part of the folklore. As the salmon season reaches its height, with many hundreds of fish on their way up river to spawn, the poachers are out in force.

But there is growing concern that the combined effects of poaching and pollution could do irreversible damage to Ireland's rivers. An angling industry worth more than I£50m (£43m) in tourist revenues is threatened.

European Diary

Ireland

Wholesale salmon poaching and pollution are damaging Ireland's angling and tourism industries, writes **Kieran Cooke**

Nowhere is poaching more blatant and organised than in Cork. The River Lee, which flows through the city, is one of Ireland's best salmon rivers. Poaching teams, often involving whole families, operate off bridges and the river bank in the city centre. A daily haul can exceed 50 salmon in Cork city alone.

While the poachers are skilled at their art, many fish escape but are seriously injured by the fishing hooks and die further up river.

The poachers sell the salmon to passers by and nearby restaurants for I£1.20 per lb, or less than 50 per cent of the present market price.

Many of the poachers are long-term unemployed and say the money from illegal salmon sales is vital to supplement their unemployment benefit.

The authorities say tbs poaching is doing serious damage to fish stocks but confess they can do little in the face of the poaching blitz.

Mr Aidan Barry, manager of the Fisberies Board for the Cork region, says that when government investment in salmon fisheries and angling tourism is taken into account, each fish illegally caught means a loss of I£150 to the state. Government public expenditure cuts aimed at reducing Ireland's I£25bn national debt have led to serious staff shortages.

"We only have four bailiffs to monitor the whole of the river system in Cork and the waters of the harbour area," says Mr Barry. "But it's a nasty business which somehow has to be stopped."

A bailiff who recently intervened with a team of poachers was set upon and knocked unconscious.

Poaching which does even greater damage to fish stocks continues at sea. Irish and Scottish protection agencies are fighting a war against gangs of salmon poachers, some of them said to be armed, who operate fleets of vessels off the coast, mainly of Northern Ireland.

It's believed many salmon are netted and then sold to foreign-registered factory ships at sea for a fraction of their true market price. But salmon and other fish are most under threat from pollution. "Fish kills" – with thousands of fish being found dead in Ireland's rivers – are an almost daily occurrence. More than 50 such kills have been reported in the last two months: many more have probably not been brought to the authorities' attention. Effluent from the making of silage released into the river system is one cause of the fish slaughter. Government moves to bring in fines of up to I£25,000 against polluters are being strongly opposed by Ireland's farming lobby.

It argues that farmers are being unfairly singled out and that industry must also take responsibility for the present parlous state of the country's rivers and lakes. The recent abnormally hot weather and a shortage of rain have added to pollution problems.

Weeds and algae grow in the rivers as water levels fall. There is less oxygen and life for the fish is made all the more difficult.

A vital part of Ireland's image is that of a clean, healthy environment, free of the industrial scars and overcrowding problems of other countries.

But the poachers and polluters are doing much to destroy that image and with it the future growth of angling and tourism, so vital for the Government's plans for economic development.

French prosecutors open insider dealing inquiry

By George Graham in Paris

FRENCH prosecutors have opened an investigation into whether to press insider dealing charges in connection with trading in the shares of Société Générale during the run-up last year to a bid by Mr Georges Pebereau to shift control of the privatised bank.

This follows submission of a report by the Commission des Operations de Bourse (COB), the country's stock market regulator.

The COB report notes four cases of possible insider dealing by buyers with indirect knowledge of the complex attempt mounted by Mr Pebereau to acquire a stake in Société Générale's capital, with net capital gains totalling FFr42.2m ($6.7m).

The report also analyses purchases of Société Générale shares by four buyers, French and foreign, who had been invited by Mr Pebereau to take part in his operation.

EUROPEAN NEWS

Nationwide discussion of Soviet crisis ordered

By Quentin Peel in Moscow

THE Supreme Soviet of the USSR yesterday called on all the republican parliaments, regional and town soviets in the country to hold emergency meetings to discuss the economic and political crisis in the country.

The move seems certain to galvanise further the process of popular democracy breaking out across the Soviet Union, symbolised above all by the mass miners' strike, in rebellion against the entrenched Communist Party and government bureaucracy.

It coincides with a purge of the party establishment expected from plenary meetings of town and regional party committees, ordered by Mr Mikhail Gorbachev, the Soviet President, literally as the miners' strike got under way.

The latest move to summon extraordinary meetings of soviets (councils) at every level of administration also seems certain to raise the pressure for local elections to be held this autumn and not in the spring, as the Communist party bureaucracy has been seeking.

Party officials in Georgia, for example, had been seeking to postpone any meeting of their own soviets, apparently for fear that the traditionally docile bodies would be swept by the same rebellious spirit seen in the national Congress of People's Deputies, and the Supreme Soviet.

Although yesterday's resolution "On holding extraordinary sessions of soviets of people's deputies" is only a recommendation from the national parliament, local bureaucracies will be hard put to ignore such a public order.

The latest move appears part of Mr Gorbachev's consistent but high-risk strategy of using popular pressure to reform the ossified power structure of the Soviet system.

He made it clear in the Supreme Soviet last week that party committees themselves had not only been ordered to hold plenary meetings, but to "invite also if necessary members of the working class" to attend.

"I think that is necessary, so that people can say directly to the elective bodies what is in fact the case and so this may be subjected to examination," he said.

He added that the trade unions, whose bureaucracy was exposed by the miners' strike as hopelessly out of touch with workers' feelings, should face the same sort of purge.

On the elections themselves to "democratised" local soviets – including the powerful republican soviets – he said that final decisions on both timing and election laws were being left up to the local level.

That seems certain to mean a variety of different laws and differing election dates.

One advantage to such a devolution of responsibility could be that the danger of the Communist Party itself doing disastrously in the polls – as many local officials now fear – would at least be dissipated.

Indeed, the likelihood is that the three Baltic republics, where the Communist parties have probably done most to reflect the public mood (at least in Estonia and Lithuania), would have their elections first. A reasonable showing by party officials might encourage other party organisations to show more sensitivity to the popular mood.

However, reports from many areas show the party bureaucracy to be in serious disarray, with party leaders determined not to have to face a popular vote if they can help it. Mr Gorbachev has relaxed his previous insistence that party first secretaries should stand as chairmen of their local soviets – thus exposing them automatically to a popular vote.

Gorbachev: upbeat assessment

Gorbachev feels West wind of change

By Quentin Peel

PRESIDENT Mikhail Gorbachev yesterday gave the Soviet parliament a thoroughly upbeat assessment of the changing climate in international relations, praising the transformation of Western perceptions of the Socialist world.

He said the West was meeting the Soviet Union half way on questions of disarmament, with the freezing of the US military budget, the withdrawal of nuclear warheads from Europe, and the Nato proposals on conventional arms cuts presented to the Vienna talks.

The Soviet leader was presenting a report to the Supreme Soviet – the first time it has ever been deemed necessary – on his recent trips to Britain, France and West Germany. He also sought to explain his approach to the Group of Seven industrialised nations, seeking a greater role for the Soviet Union in resolving international economic issues.

In spite of his optimistic tone, however, Mr Gorbachev did not fail to score a few points off the Western allies for their obvious differences over nuclear arms.

He contrasted in particular Mrs Thatcher's insistence on nuclear deterrence with West Germany's deep fear at being left in the front line of any nuclear confrontation – and France's conviction about the "exceptional political significance" of its own nuclear arsenal.

What clearly impressed the Soviet leader, however, was the warmth of the reception he received – in considerable contrast to the often highly critical crowds he meets in his own country.

The public mood of the West European nations, he said, included the whole gamut of feelings from interest and sympathy to enthusiasm and goodwill – everything except hostility and dislike.

He also expressed confidence at West European understanding of the inadmissibility and danger of attempts to destabilise the situation in socialist states by taking advantage of the tumultuous reform process.

He said that President George Bush's recent visits to Poland and Hungary, the two East European countries which are in the vanguard of the reform process, were natural – provided that Washington curb its temptation to take advantage of the complicated transformations which were taking place there.

W German Transrapid project heads for the buffers

By David Goodhart in Bonn

TRANSRAPID, the magnetically-powered, high-speed train project, which supporters claim should be a show-piece of 1990s German technology, will almost certainly never be built in West Germany, according to a Bonn Transport Ministry official.

Mr Jürgen Huber, head of the investment division, says Transrapid will not solve the country's transport problems, will cost DM50bn (£16bn) to build, and will not receive hoped-for private-sector financial backing.

The Government is due to decide next month whether to support the first leg of the project – a stretch from Hamburg to Hanover or Essen to Bonn – at a cost of about DM4bn. The Transrapid consortium, headed by Thyssen, says it can raise private money for the rest of the proposed 1,000-mile line from Hamburg to Munich, which, it is claimed, could cut the journey from 10 hours to 3¼ hours.

It is unusual for a ministry to state its case so forcefully in public before a decision has been taken on an important project. It appears the Transport Ministry has been angered by the propaganda of the Research Ministry, which supports the project, and the Transrapid consortium.

Mr Huber would not reveal the thinking of his minister, Mr Friedrich Zimmermann, but it seems certain that the Transport Ministry will oppose even the first stage when it comes to the cabinet in September. The Government will probably try to avoid a definite decision one way or the other at that meeting.

Mr Huber said: "A European Transrapid system might have been possible if it had been thought of in the 1970s or 1980s, but now it is too late and it does not make sense to build it in Germany alone."

Although Transrapid is environment-friendly, in that it has no engine, it cannot run along conventional railway lines, so would require some destruction of the countryside. That would be strongly opposed by the Green lobby.

The Transport Ministry argues that development of the Bundesbahn's conventional high-speed train, Inter-City Express (ICE), makes Transrapid unnecessary despite the fact that the magnetically-levitated train can reach speeds of up to 500kph, nearly double that of ICE.

The Bundesbahn has already ordered 41 ICEs and work has begun on track modification. The first stage of the ICE system – Hanover to Würzburg – should be open in 1991. Total investment will cost nearly DM20bn.

SocGen bid may prompt legal action

By George Graham in Paris

FRENCH prosecutors are investigating whether to press insider dealing charges in the wake of last year's trading in the shares of Société Générale, the privatised bank.

The move follows a report by the Commission des Opérations de Bourse (COB), the country's stock market regulator, into the run-up last year to an attempted bid by Mr Georges Pebereau, a French financier, to shift the control of the bank.

The report notes four cases of possible insider dealing by buyers with *indirect* knowledge of the complex attempt by Mr Pebereau to acquire an influential stake in Société Générale's capital. It says the buyers made net capital gains totalling FFr42.2m (£4m).

The report also analyses purchases of Société Générale shares by four other buyers, French and foreign, who had been invited by Mr Pebereau to take part in his operation.

The COB complains, however, that the current drafting of the law makes it impossible to draw a clear line between legal and illegal dealings in these cases, and calls for urgent action to clear up the ambiguity in the legislation.

At the same time, the COB criticises both Mr Pebereau's camouflaging of his group's share purchases and the Société Générale's own defence efforts.

Mr Jean-Charles Naouri, chairman of the Euris investment company and one of those who had bought Société Générale shares after being invited by Mr Pebereau to join his operation, said that he was satisfied with the COB's conclusions.

Mr Naouri's position had been viewed as particularly delicate since he was formerly principal adviser to Mr Pierre Bérégovoy, the Finance Minister, who gave his implicit backing to Mr Pebereau's attack on the privatised bank.

Mr Christian Pellerin, a property developer who was another of those approached by Mr Pebereau, announced yesterday that he planned to donate his own profits of between FFr2.38m and FFr3.14m on his purchases of Société Générale shares to charity.

Turkey imposes visa restrictions on Britons

TURKEY announced yesterday that all Britons entering the country would need visas from November 1, Reuter reports. Britain imposed visas for Turks on June 23, cancelling a 1960 non-visa agreement, after more than 1,500 Turks flew to Britain and applied for political asylum in May alone.

"Turkey will require entry visas for all British passport holders from November 1, a Foreign Ministry statement said. "Whether visas will be available at entry points to Turkey is a technical matter now being studied by the Ministry of Finance and Customs."

Officials said a visa was likely to cost around TL70,000 ($20), the charge for visas for Turks wanting to enter the UK.

Many of the Turks who sought asylum in Britain in May were from southeastern Turkey, where most of the country's 8m Kurds live.

About 450,000 British tourists visited Turkey last year.

Pöhl differs from French on EMU

By David Buchan in Brussels

KEY DIFFERENCES in the approach of the West German and French central bank governors towards European monetary union were underscored yesterday by publication of background papers to the Delors Report.

The papers show up the contrast between the evolutionary caution of Mr Karl Otto Pöhl, the Bundesbank president, and the blueprint for rapid institutional change laid out by Mr Jacques de Larosiere, the Banque de France governor.

The contrast may not prove so sharp as to rule out a joint Franco-German front when European Community heads of government sit down, probably late next year, to rewrite the Treaty of Rome to allow closer economic and monetary co-ordination.

But the strength of Mr Pöhl's insistence, in a September 1988 paper, that all EC countries be included in monetary integration, may temper last week's warning by President François Mitterrand that the rest of the EC might proceed without Britain.

"If only a few Community member countries were to spur forward this would have serious economic and political consequences," Mr Pöhl wrote.

He also stressed the need for economic integration to match every step of monetary integration, and said that the economic prerequisites for monetary union would probably not exist for the foreseeable future.

Such views help explain British ministers' tactic of citing Mr Pöhl in support of their case for drastically slimmed-down and slowed-down monetary union – a tactic that has somewhat irked their counterparts in Bonn.

The contrasting French desire for speedy institutional change is revealed in Mr de Larosiere's detailed plan for early creation of a European Reserve Fund (ERF).

Designed as a first step towards a European Reserve Bank, the ERF would (as Mr de Larosiere envisaged it) have organised joint exchange market interventions from an early stage

In the end, the gradualists on the Delors committee, led by Mr Pöhl, voted the ERF idea down in favour of a three-stage plan. The first of these stages, involving minimum institutional change, is to enter into force by next July 1, EC leaders agreed at their June summit in Madrid.

If and when the Community goes beyond thet first stage, the demands from poorer, peripheral member states for a greater share of EC resources may become a serious obstacle.

● The European Commission yesterday started legal proceedings against West Germany and Spain for failing to comply with its December 1988 ruling that all state aids to the car sector, above Ecu12m (£8m), must be notified in advance to Brussels.

The other 10 EC states have accepted last year's decision by the Commission. But Bonn has countered its aid schemes are regional, and neutral in terms of sectoral impact and intra-Community trade.

Madrid has told Brussels it can only accept the Commission notification procedure, if it is linked with an EC-wide car industrial policy.

Collection of papers submitted to the Committee for the Study of Economic and Monetary Union. Ecus 10, the European Commission

AMERICAN NEWS

Bush's nominee for civil rights post rejected

By Nancy Dunne in Washington

ANOTHER blow to good relations between the White House and Congress was struck yesterday when President George Bush's nominee to head the Justice Department's civil rights division was rejected by the Senate judiciary committee, which refused to send the nomination to the full Senate.

The nominee, Mr William Lucas, former sheriff and chief executive of Wayne County, Michigan, was defeated on a tied 7-7 vote of the 14-member committee. Under committee rules, motions fail on tie votes.

All six Republicans on the committee voted for Mr Lucas, along with Mr Dennis DeConcini, a Democrat from Arizona. The other seven Democrats on the committee opposed Mr Lucas, saying he did not have the experience for the job.

Mr Bush, who came to office pledging better relations between the executive and legislative branches, has in the last week seen the House adopt a defence budget radically different from the one his administration proposed. A House/Senate conference has also approved a method of financing the rescue of the troubled savings and loans industry which might breach the Gramm-Rudman deficit, and there is stalemate over a proposed cut in capital gains tax.

The nomination of Mr Lucas, a black Democrat turned Republican, split the civil rights community. His opponents insisted that he lacked credentials to head the important division at a time when Supreme Court decisions have made it more difficult to file anti-discrimination suits.

Mr Dick Thornburgh, the attorney general, who with Mr Bush supported the nomination to the end, issued a statement after the vote attributing the defeat to "raw politics."

Although a lawyer by education, Mr Lucas has rarely practised law, and in appearing before the judiciary committee, he revealed an unfamiliarity with both civil rights case law *and legal terminology.*

Mr Lucas's detractors made an issue of other concerns, including a US Customs Service finding that he and his family failed to report more than $4,000 in jewellery and clothing bought on a trip to Africa.

Republicans backing Mr Lucas said he was rejected because he had changed parties. His cause was probably not helped among civil rights groups by the patronising *contention of Senator Strom Thurmond,* a South Carolina Republican, that "minorities ought to be thankful and grateful and appreciate that here you've got one of your own members appointed."

Several of Mr Bush's ambassadorial nominees, big contributors to Republican campaigns, are under fire for lacking qualifications.

Senate backs Bush defence budget

By Peter Riddell, US Editor, in Washington

THE US Senate yesterday acted to repair some of the damage done to the Bush administration's defence budget and nuclear strategy by the House of Representatives last week.

Under the close guidance of Senator Sam Nunn, the Democratic chairman of the Senate Armed Services Committee, the administration's request for $1.1bn to move the multiple-warhead MX missiles from fixed silos to rail cars was approved.

A suggested cut of $502m, like the one approved by the House last week, was rejected by 62 votes to 38, after Senator Nunn argued that a reduction would undermine the president's nuclear negotiating stance. The MX is part of a carefully negotiated programme between the administration and Congress, along with the single-warhead Midgetman missile.

Referring to the House vote, *he said: "If we have that kind of unravelling over here, we* go to conference (joint talks with the House) with a totally illogical, unsound programme and I believe that will be detrimental to both our national security and arms control."

Similarly, the Senate followed Mr Nunn's lead in approving funds at this stage for the B2 Stealth bomber, but seeking firm evidence that the radar-evading plane works. A non-binding resolution expressing the sense of the Senate that "it is not presently prudent or possible to commit to the procurement of an operational force."

The Senate cut $300m from the total $70bn programme. In contrast, the House voted strictly to limit the B2 project in the coming fiscal year, pressing for a cheaper alternative.

Yesterday's Senate votes were in line with President George Bush's *hopes* that it would undo some of the damage done by the House.

The Senate was also debating proposals to achieve greater burden-sharing in defence expenditure from US allies in Europe and Asia.

Brazil's Justice Minister quits

By Ivo Dawnay in São Paulo

THE CONCEPT of cabinet responsibility, long ignored in Brazil, has forced its way into the public consciousness following the unprecedented resignation this week of the country's Justice Minister.

Mr Oscar Dias Correa, a highly-opinionated conservative, quit his comfortable Brasilia offices on Monday after a damaging dispute with economic ministers over their strategy for inflation.

His decision followed a public row with Finance Minister Mailson da Nobrega, in which Mr Correa attacked the decision merely to attempt to hold price rises at their current rate of 28 per cent a month.

In recent weeks, Mr Da Nobrega has been telling businessmen that no attempt will be made to bring down inflation before the presidential elections due on November 15.

His intention was to defuse the threat of a speculative surge in price rises provoked by fears of a new price freeze.

But in an embarrassing letter of resignation to President José Sarney, Mr Correa has openly criticised the failure of Mr da Nobrega's anti-inflationary Summer Plan and the return of accelerating inflation. "We are all responsible," he said.

To compound his offence towards a government where the buck seldom stops anywhere, Mr Correa proceeded to give an impromptu press conference, hinting strongly that economic disorder could result in social unrest.

"The government should represent unity, consensus and integrity and at a time when inflation is out of control, there exist risks for public order – which is the responsibility of the Justice Minister," he told reporters.

Such forthright opinions on collective ministerial responsibility have raised eyebrows in Brasilia. During the Sarney years, ministers have frequently criticised each other publicly and cabinet meetings have been rare. It is also the first time in years that a minister has resigned on a genuine point of principle.

Inevitably, cynics have claimed that Mr Correa's motives were less honourable than opportunistic. While the minister denied political ambitions, his senior aides are now believed to be plotting his candidacy for the presidency.

British reassert Falklands sovereignty

By Gary Mead in Buenos Aires and Andrew Marshall in London

MR Colum John Sharkey, British ambassador to Uruguay, has made a strong reassertion of British sovereignty over the Falkland Islands, the site of fierce fighting between Britain and Uruguay's neighbour, Argentina, in 1982.

The statement seems to be the latest round in the indirect exchange of views between Britain and Argentina as they contemplate the possibility of direct talks for the first time since 1984.

The Uruguayan daily newspaper El Dia on Monday quoted Mr Sharkey as saying: "After all that happened in 1982 we are not going to share the Falklands with anyone; neither the United Nations, nor Argentina, nor anyone."

Mr Sharkey acted as head of the British Interests Section of the Swiss embassy in Argentina – which has handled Britain's diplomatic representation in Buenos Aires since the 1982 Falklands conflict – between 1984 and 1987.

Since President Carlos Menem took over Argentina's presidency on July 8 there has been a flurry of occasionally contradictory statements on the Falklands issue.

President Menem has spoken of his wish for a "civilised dialogue" with Britain over matters of mutual interest (such as fishing in the South Atlantic), without at any stage ruling out Argentina's long-standing demand that Britain recognise and accept Argentine sovereignty over the islands.

Mr Sharkey's comments *seem to be directed at publicly* reinforcing the British position. Neither country wants to begin talks only to see them broken off because of a misunderstanding of the room for manoeuvre over the South Atlantic archipelago – the key bilateral issue.

Mr Sharkey has clearly put the Falklands off-limits in any talks.

However, in the view of the Foreign Office, there is scope for improving relations on other issues, in particular trade and economic links.

One matter of contention is the fact that Argentina has not yet dropped its formal state of hostilities with Britain. El Dia quotes Mr Sharkey as saying that "We declared a cessation of hostilities in July 1982, and I do not see why we have to wait *seven years for Argentina to do* it."

Colombian judges shut down courts

ABOUT 18,000 striking Colombian judges and judicial officials yesterday shut down courts nationwide to press for more government protection after the recent gangland-style slaying of a colleague, Reuter reports from Bogota.

Justice Ministry spokeswoman Ms Amparo Gomez said she did not know of any court that was open and functioning normally.

More than 50 jndges have been killed in the past decade in Colombia, which is the hub *of much of the world's cocaine* trade.

CGT revives trickle-down debate

Peter Riddell on the Bush proposal to reduce capital gains tax rates

SUPPLY-SIDE economics is still alive in the US. The debates of the early 1980s about cuts in tax rates and the impact on revenues have been revived in the current battle over reductions in capital gains tax.

Behind all the convoluted manoeuvring, which could be partly resolved this week, lie sharply contrasting views of the impact of a cut in the rate.

On the one side, there are supply-siders, led by President George Bush, who has renounced his denunciation of "voodoo economics". They argue that a cut in the rate would stimulate investment and entrepreneurial activity, thus creating new businesses and jobs and raising tax revenue.

On the other side there are traditional Democrats such as Mr Richard Gephardt, now House Majority leader. On Sunday, he derided a cut in capital gains tax as "a tax break for the wealthy" and dismissed suggestions that it would encourage economic growth as "a trickle-down Republican idea".

Aside from the propaganda, the debate has turned on two points – the impact on tax receipts, and who benefits.

The current capital gains tax rates are the same as the top marginal rates on earned income – 28 and 33 per cent. They were fixed at this level after the 1986 overhaul of the US tax system, which was designed to create broad neutrality. This was an increase from the previous level of 20 per cent, and, as the supply-siders pointed out, the new sys*tem not* only involved taxing gains from inflation but was also higher than rates in some, though not all, other industrialised countries.

In his budget last February, Mr Bush proposed cutting the rate to 15 per cent for corporate securities, land and owner-occupied housing, thus excluding collectibles, such as paintings, and depreciable assets, such as mineral reserves and commercial property.

Under the Bush plan the reduced rate would apply to assets held for a year or more from 1989 up to 1992, the holding period would be two years for 1993 and 1994, and would rise to three years for assets sold in 1995 and thereafter. Wage earners with incomes of less than $20,000 a year would not be taxed on capital gains.

There was agreement on both sides of the debate that the initial impact, especially in fiscal 1990, would be favourable since a sharply increased sale of assets would take advantage of the lower rate of tax.

There is, however, disagreement about the longer-term impact. This depends on whether the increase in economic activity and associated asset sales following the change offsets the loss in revenue resulting from the cut in the rate.

The accompanying table sets forward the alternative projections of the Treasury on the one hand, and the Congressional Joint Committee on Taxation (broadly the Democratic view) on the other. The fluctuations in the mid-1990s largely reflect the impact of the phasing-in of the three-year holding period.

The key difference is that the Treasury believes the increased sale of assets will be much larger than the committee's analysts do, by a margin of $5bn-$6bn. Indeed, some supply-siders argue that the Treasury's projections are too conservative, since they take insufficient account of the dynamic effects on capital investment and activity. Hence they dispute the Treasury view that there could be some revenue loss in the mid-1990s, even though, unlike Congress, the administration expects a substantial gain in receipts.

CGT CUT'S IMPACT ON TAX REVENUES ($bn)

Fiscal Year	1990	1991	1992	1993	1994	1995
Treasury	+4.2	+4.9	+3.5	+2.2	−6.2	−2.0
Congress	+3.3	−4.0	−6.4	−6.9	−10.9	−7.1

Sources: Treasury Office of Tax Analysis and Congressional Joint Committee on Taxation

On the other side, reviving a lower rate for capital gains than income could produce a fresh incentive for tax shelters and rednce income tax receipts. Academic economists are sharply divided on these revenue questions.

The other main conflict is over the distributional impact. The Democrats argue that the main benefits are likely to go to the already well-off, while the *administration* has pointed to figures showing that a third of all capital gains go to those earning less than $30,000 a year. However, there is no dispute that a disproportionate share of capital gains is enjoyed by the wealthy earning over $200,000 a year (between 25 and 46 per cent, depending on the measure used). These would therefore be the main beneficiaries of any cut in the rate, receiving at least 60 per cent, according to opponents of a rate reduction.

The importance of this argument is that the administration has been counting on $4.8bn in extra revenus from the reduced rate to produce most of the $5.3bn in additional tax receipts earmarked in the budget deficit reduction agreement. A miracle tax reduction that hoosts revenne would enable Mr Bush to stick to his "no new taxes" pledge.

For several months there was stalemate; hut in June, Mr Dan Rostenkowski, the chairman of the tax-writing House Ways and Means Committee, floated the idea of a possible compromise on capital gains, only to have to retreat in face of strong opposition from the new Democratic leadership in the House and liberal Democrats on his committee.

Yet his initiative provided an opening for proposals from mainly southern Democrats (somewhat disgruntled after losing out in the leadership elections). These provide for a cut in capital gains tax to 20 per cent for fiscal years 1990 and 1991, though in 1992 the rate would rise to 25 per cent. Moreover, the underlying value of capital assets would be indexed to inflation. At the latest count, the rebel Democrats had, with all the Republicans, a one-vote majority on the Ways and Means Committee.

In this increasingly complicated political morass, discussions are under way between the Democratic leadership and the administration. The Democrats are unwilling to go beyond indexing for 1990, but the administration insists there has to be a cut in the effective rate to provide a stimulus to capital investment.

Among options are offering investors a choice of indexing or a reduced rate, and linking the reduced rate to the length *of time an asset is held.*

However, whether there is a deal this week or the matter is resolved on the floor of Congress in September, the advocates of a cut have so far had the initiative in the debate.

UK NEWS

Ridley lacks a challenge at DTI

Michael Cassell examines the future of a declining department

MR ERIC FORTH, a junior member of the ministerial team at the Department of Trade and Industry for a year, is best-known for his extravagant Edwardian sideboards. Last week he staked a fresh claim to fame by becoming the longest-serving minister among his DTI colleagues.

The Prime Minister's reshuffle, which swept across dozens of desks in Whitehall and Westminster, saw off five of the DTI's six ministers.

Out went Lord Young, back to industry but with one foot still in Tory Central Office. Out with him went Mr Tony Newton, the department's senior spokesman in the Commons, and Mr Alan Clark, Mr Robert Atkins and Mr Francis Maude – all to new ministerial jobs.

In came Mr Nicholas Ridley, evicted from the department by his own MPs and accompanied, among others, by Mr John Redwood, the author of his own manifesto for popular capitalism, who takes over corporate affairs, competition policy and City regulation matters.

Alongside them will be Mr Douglas Hogg, the abrasive yet liberally-minded Home Office minister who takes the industry responsibilities previously borne by Mr Newton, and Lord Trefgarne from the Ministry of Defence. Perhaps the least right-wing, least fanatical free-marketeer of the lot, he picks up Mr Clark's trade portfolio.

Only Mr Forth, an impeccably right-wing Tory, stayed put. His consumer affairs portfolio has been extended to embrace the Post Office and radio and telecommunications.

As part of the new management, a new permanent secretary took up his post on the very day Mrs Thatcher was reassigning responsibilities within her team. With the retirement of Sir Brian Hayes, his place has been taken by Sir Peter Gregson, a former Department of Trade man from the Department of Energy.

The upheavals at the DTI – the new ministerial influx has been dubbed by the "free-market loonies" by their opponents – have provoked questions about whether the department has a future at all. Could it face the same fate as many of the businesses which it has so steadfastly declined to rescue? Is Mr Ridley likely to become the DTI's official receiver?

For much of the post-war period the department or its equivalent seemed close to the heart of policy-making for successive governments but it has declined in importance and influence as Mrs Thatcher's non-interventionist, free-market philosophy has taken hold.

According to Mr Michael Heseltine, once a Tory trade and industry spokesman in opposition, a succession of 25 secretaries of state in 40 years demonstrates the DTI's historic, low standing in the eyes of politicians of all colours.

The political pedigree of the Prime Minister's latest team in Victoria Street provide little cheer for those who believe government has a decisive role in devising and co-ordinating industrial strategy.

There have been few misconceptions about Mr Ridley's approach to government's role in respect of industrial policy since he publicly opposed the 1972 Industry Act, intended to help bail out lame duck industries.

A pioneer of privatisation and a fierce fan of self-regulation, much of his time at the Department of the Environment was spent attempting to transform the entire ideological basis on which local government operates. In the town halls, good business practice, public accountability and value for money had to take the place of central government featherbedding.

Though Lord Young played his own part in loosening the grip of the state, waving goodbye to Rover and successfully selling off British Steel, Mr Ridley's commitment to disengagement will be even more explicit.

He takes on the job, however, to find that much of the work has been done. The days when governments felt compelled to rescue strategic businesses from collapse have passed while a 49 per cent stake in British Telecom remains the only real jewel in the DTI's privatisation swag bag.

Even regional development grants are now being phased out. The emphasis is on selective assistance and, while the continuing presence of grants may offend the new Secretary of State, they could remain in place – if only to help stimulate inward investment to Britain.

Alternatively, if Honda can decide to invest £300m in a car plant at Swindon without any state aid, Mr Ridley might well ask why anyone else should expect government help.

None of Mr Ridley's colleagues at the DTI is going to be too far out of step with their controversial boss. While Mr Forth rejects the notion of regional policy and wants the railways and the Post Office to join coal, electricity and water in the private sector, Mr John Redwood is an unrepentant Thatcherite whose only fear seems to be that the revolution might falter.

One challenge confronting Mr Ridley and Mr Redwood will be the increasing pressure from Brussels to secure an agreed, European-wide system for controlling international takeovers.

Although Lord Young was not hostile to the plan, Britain has been pressing for other EC states to drop barriers to foreign takeovers as a pre-condition of any agreement on merger control. Sir Leon Brittan, the EC commissioner for competition, will soon discuss the issue with Mr Ridley.

Lord Young was regularly forced to defend the Government against accusations that its domestic strategy on mergers and monopolies lacked any coherence. It was, he asserted, simply based on the implications in any proposed merger for fair competition. Mr Ridley is hardly likely to seek a more convoluted formula.

As for the rest of DTI's agenda, there are few immediate challenges and no early legislative ambitions to step up its workload.

Mr Ridley is now examining the terms of the agreed bid by General Electric for Plessey and, in the next two weeks, the DTI is expected to publish the orders which will pave the way for measures intended to improve competition in the brewing industry.

The Monopolies and Mergers Commission report on credit card operators is now in the hands of the Department and should be published during the summer, with another on petrol retailing expected later.

Mr Ridley also takes on a controversially expensive publicity programme. If anything is going to be wound up, it looks like being the promotional budget, rather than Mr Ridley's own job.

Nicholas Ridley (top) with Under-Secretaries at the DTI, Eric Forth (left) and John Redwood

Signs of economic slowdown in the north disclosed by surveys

By Ian Hamilton Fazey, Northern Correspondent

WIDESPREAD signs in northern businesses of a weakening in confidence and a flattening of previously rising economic trends are shown in the latest quarterly surveys of companies in Greater Manchester, Tyneside, Teesside and South Yorkshire.

High interest rates are the single most important factor affecting nearly all businesses, dapressing investment and confidence. Home sales have remained strong generally but exports have faltered and there is a patchiness ahont order books, with fewer companies working at full capacity.

Recruitment has slowed, although few north-eastern companies are shedding labour yet compared with Greater Manchester, where a fifth of businesses have done so.

Most employers are forecasting low demand for new labour in the second half of the year. However, all report skill shortages, with professional and managerial jobs the hardest to fill, followed by the skilled manual category.

Greater Manchester's local economy is the most important and largest in the north, covering a conurbation of 2.5m people.

Mr Simon Sperryn, chief executive of Manchester Chamber of Commerce, described the signs as worrying. He said: "The continuing high level of interest rates was bound to depress investment in the end." The chamber's survey showed reduced expectations for turnover and profits which had forced companies to moderate investment plans.

Tyne and Wear Chamber reported that 61 per cent of companies were revising investment in plant and machinery upwards a year ago, with none making cuts.

The comparative figures this year show 63 per cent doing neither and 9 per cent revising plans downwards – the latter more than doubling the numbers in the first quarter.

Confidence was higher on Teesside hut the trends were still going the same way as elsewhere in the north and the rate of increase in sales and orders appeared to be falling faster. Demand for labour remained stronger there, although managers were in as short supply as anywhere.

The Engineering Employers Sheffield Association said that there was now evidence of apprehension emerging – a clear warning that 1990 might be much more difficult year for the industry, according to Mr Nicholas Kemp, the association's director.

He said: "Industry has been enjoying brisk business for the last two years." There was still widespread optimism but this had to be balanced against patchy order books and less promising indicators for the end of the year.

Two other hig northern regional surveys for the quarter are due soon from the Merseyside and Leeds chambers. Mr Keith Robinson, director of Merseyside chamber, said yesterday that preliminary signs were that most trends had flattened, with a downturn in exports.

Komatsu factory to beat target

By Nick Garnett

KOMATSU, the Japanese earthmoving machinery maker, is likely to exceed the production target at its north-east England plant by 60 per cent this year.

The target for the Birtley plant in Tyne and Wear was set three years ago when pilot production started at the facility. The company said yesterday it expected to produce more than 2,000 units at the plant this year.

It also intends extending the range of excavators made at the factory, with production of models in the 6-tonne to 12-tonne range. It already produces machines of between 12 and 36 tonnes.

All hut 150 units of this year's production will be excavators. The rest will be wheel loaders, which the plant began producing in January.

Two of the seven excavator models from Birtley use British-made Perkins engines, and the one wheel-loader model uses a Cummins power plant, assembled and part-manufactured in the UK.

About 70 per cent of Birtley's *production is exported, and the* plant now employs 350. However, the workforce will rise to 370 by the end of the year.

Komatsu, now the biggest excavator producer in the UK, also indicated yesterday that some production at Birtley could be integrated with that of Hanomag, the West German construction equipment manufacturer.

The Japanese company has just acquired a 24.9 per cent etake in the Hannover-based manufacturer and plans to increase it to a majority shareholding on the conclusion of merger procedures.

Komatsu said yesterday that it was carrying out a study into the production of a new wheel loader for the European market, which could involve aome common component sourcing between Birtley and Hannover. Production of the machine is likely to be in Hannover.

Hanomeg, which employs about 1,500, claims more than 20 per cent of the West German market for wheel loaders and buildozers. It does not make its own excavetors but sells those of another supplier. Komatsu claims about 10 per cent of the West German excavator market.

Woolwich to establish own life company

By David Barchard

WOOLWICH EQUITABLE, the fourth-largest UK huilding society, is to set up its own life assurance company in a joint venture with Sun Alliance, the life group with which it became exclusively tied earlier this year.

The deal is only the second in which a building society has set up its own life company. Last month National & Provincial announced a similar joint venture with General Accident.

However all but two of the top 10 largest societies are tied to insurance companies and it is widely expected that in some cases these links are the first step towards the setting up of diversified retail financial services groups with a much broader range of products.

Mr Peter Robinson, deputy chief executive of Woolwich Equitahle, said Sun Alliance would have a 49 per cent stake in the new company, which he hoped would start operations in the first half of next year.

Actuary attacks takeover of Scottish assurance firm

By Barry Riley

A LEADING Scottish actuary has criticised the terms under which FS Assurance, a small Glasgow life office, is to be absorbed by the Britannia Building Society.

The actuary suggests that FS's 34,000 voting members would be well-advised to turn down the deal, which provides for the injection of a total of some £15m by Britannia in three separate payments.

Any disruption of this trail-blazing deal could have important consequences for several other small and medium-sized mutually owned life companies which are thought to be considering selling out to bigger institutions.

The actuary suggests that a negative vote at the extraordinary meeting on August 16 would force Britannia to improve its terms. "There's no risk in rejecting it," he says.

He threatens to challenge the proposals in the Court of Session on the grounds that certain categories of investors are being unjustly deprived of a share of the demutualisation bonuses.

He argues that investment bankers should have heen brought in to negotiate a better price, for instance for FS's unit trust business.

The actuary, who is well-known in Scottish investment circles, bnt prefers to remain anonymous in this case for the time being, has contributed an article to this week's Financial Adviser, a paper for investment intermediaries published by a Financial Times subsidiary.

He says the problem of high management expenses at FS will not be tackled by the deal. Also, the ectuarial valuation may not take properly into account the sharp rise in the stock market this year.

Moreover, Britannia Building Society appears to be taking a 49 per cent stake in the fast-growing unit trust and personal equity plan business, and only a 10 per cent profit share of the probably less buoyant life assurance side.

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University to offer degree in European engineering

By Nick Garnett

BRUNEL, one of Britain's top engineering universities, is to offer courses with 20 per cent French or German content and send students to continental Europe for work experience.

Brunel is thought to be the first university in the UK to offer such a comprehensive teaching package in the newer discipline of manufacturing engineering.

The courses are a sign that British higher educstional institutions are beginning to take seriously moves towards integration in European manufacturing and the cross-border movement of personnel. The courses will lead to a European engineering degree.

Such courses also open up the prospect of more competition from continental European companies for British graduates in ooe of the areas most crucial for raising production efficiency and product quality.

Some students in Brunel's department of manufacturing and engineering systems already work up to six months in a continental European company and many of these have secured job offers from them.

MBB, the German aerospace and engineering group which is one of the course sponsors at Brunel, has made offers to Brunel students and one recent graduate is now working for ABB, the Swiss-Swedish engineering group.

Brunel hopes that Daimler-Benz will sponsor one of the two new courses with foreign language content.

The official policy of the university is not to encourage students to go abroad, particularly to non-sponsoring companies. The reality is somewhat different.

"German companies in particular are screaming for manufscturing engineers, especially those with practical experience," says Mr Felix Schmid, a Swiss lecturer in control engineering at Brunel. "The German system does not prodnce manufacturing engineers."

Bath University has had a foreign language content in its mechanical engineering course for abont 10 years, hut not in maufacturing engineering. Some of the 20 per cent foreign language content planned by Brunel will he language courses, but most of the time will be spent teaching engineering through either French or German.

Foreign language teaching will be done primarily by bilingual engineering lecturers. There is also a fourth year option in which almost all teaching will be done in a foreign language.

The Department of Engineering and Manufacturing systems at Brunel takes about 35 students a year.

EC deals tax blow to stockbrokers

By Richard Waters

STOCKBROKERS in the UK, already reeling from heavy losses, will see their costs rise significantly from next year as a result of a change in European Value Added Tax (VAT) legislation.

By contrast, many pension funds, insurance companies and individual shareholders will find their share dealing costs fall.

The change, which comes in the eighteenth European VAT directive, makes stockbrokers' commissions exempt from VAT from January 1 1990. The fees of unit trust managers will also be exempt from thet date.

Until now, the UK has taken advantage of a derogation from European law allowing these broking and unit trust fees to attract VAT at the standard rate of 15 per cent. The 18th directive, adopted st the end of June but only published in the UK at the end of last week, abolishes this derogation.

Stockbrokers will he the worst affected, since they will not be able to reclaim the VAT they pay on supplies relating to their commission-based business.

According to Mr Andrew Ball of the Spicer & Oppenheim, the accountants, this could add about 5 per cent to the cost base of the average broker, assuming that a third of its total costs attract VAT at the standard rate.

The news follows the introduction of VAT on commercial property in the UK this summer. This has already added to the costs of exempt businesses, including those in the financial services industry.

Ironically, as bnsinesses which charge VAT, stockbrokers would not have been affected by the change in the treatment of land. They now face a donble blow, since becoming exempt exposes them to this extra cost as well.

Unit trust managers also emerge as losers from the changes, but not to the same degree. While finding themselves unable to recover the VAT they pay on their supplies, they will at least have the consolation of not having to pay it on commissions.

By contrast, institutional investors already exempt from VAT will see their dealing costs fall by 15 per cent. Private shareholders will also find their dealing costs fall by 15 per cent.

Stockbrokers are likely to attempt to pass on some of their extra costs in the form of higher commissions. However, the current competitive market will make this difficult.

Profits on overseas deals show sharp drop

By Simon Holberton

THE CITY of London's earnings from insnrance, banking and securities dealing with foreigners fell sharply in 1988, according to figures released yesterday by the Central Statistical Office.

Total earnings from foreign business were £7.4bn last year, some 15½ per cent down on earnings of £8.7bn in 1987, themselves revised down from an earlier estimate of £9.4bn. They also compare unfavourably with the City's best year, 1986, when it earned £9.7bn.

The decline in the City's earnings, which are part of the invisibles section of the UK current account of the balance of payments, is bad news for Mr Nigel Lawson, the Chancellor, who has frequently said the trade figures understate the true and higher invisible earnings of UK commerce.

Mr Bryan Gould, Labour's industry spokesman, said the fall in the City's earnings for the second year in succession showed that it was not only British manufacturing that was losing its share of world markets but services as well.

The Treasury said yesterday that there had been an increased level of competition in world financial markets and that this had led to a reduction in overseas earnings. The figure for 1988 was, however, still substantial.

It said it expected that some of the balancing item of £14bn for the 1988 balance of payments would be attribntable to the current account, although most would probably accrue to the capital account.

If the average of revisions for the past 15 years to the current account were to be repeated for 1988, last year's deficit would be £1.5bn to £2bn smaller than the £14.7bn currently recorded, it said.

Most business covered by the City reported lower earnings last year, bnt declines were particularly marked in insurance and banking.

Earnings from underwriting were considerably lower at £680m in 1988 than £1.4bn in 1987. Total earnings from insurance were 19 per cent lower at £3.8bn.

The main factors depressing underwriting earnings were the large claims associted with last July's Piper Alpha oil platform disaster in the North Sea and the depressed market in North America.

The Old Lady sits in judgment

David Lascelles on the Bank of England's scrutiny of NatWest

BY the end of this week, several people named in the Department of Trade and Industry's report on the County NatWest-Blue Arrow affair will know whether the Bank of England has deemed them no longer fit and proper to hold responsible positions in a bank.

They will be sble to appeal, bnt the precedents are not encouraging. On the few occasions when the Bank has made these determinations in the past, none of the victims has got the ruling overturned. But they were from small banks. This time round the case involves one of the largest clearing banks in the UK, so the determinations could break new ground.

The 1987 Banking Act requires that this whole process be shrouded in deep secrecy to preserve confidentiality. In the County case, this is bound to add to the complaints which have already been voiced about the apparently arbitrary way judgments have been meted out - and even about the Bank's own handling of the affair.

But the fit and proper test is one of the main ways by which the Bank tries to keep crooks and incompetents out of British banking. In order to shed light on how it works, the Bank published a set of principles last year which give an idea of what it is looking for.

Much of it is predictable. It says, for example, that bankers must display probity, competence, soundness of judgment and diligence - though in varying proportions depending on their position.

The Bank also takes into account whether the person has a criminal record or has contravened financial legislation and non-statutory codes such as the Take-over Code. This would be relevant to the Blue Arrow affair because of the latter's takeover of Manpower, the US employment agency, in 1987.

The great majority of those scrutinised by the Bank pass these tests. The more difficult judgment comes when someone has lapsed and may no longer be fit and proper to continue in his or her job. This is the determination which the Bank now has to make over County-Blue Arrow.

Villiers (left) and Cohen whose exoneration was described as inconsistent by NatWest chairman Lord Boardman

The failings it looks for include imprudence or "actions which have threatened (without necessarily having damaged) the interests of depositors or potential depositors." The failure of an institution as a whole "to conduct its business with integrity and professional skills" will also reflect badly on its management. The Bank says its takes a cumulative approach: several minor lapses add up to a major one.

In practice, though, much of this is irrelevant to the way bank managements are judged. Although none of the three executive directors who resigned from NatWest last week was officially deemed not fit and proper to run a bank, the fact that they had been criticised in an official inquiry was enough to force their exit. In the unlikely event that they had stayed on, it was always open to the Bank to disagree with the conclusions of the report (as NatWest's board has) and accept the mitigating circumstances.

Indeed, it is also open to the Bank to disagree with the report's conclusions that others were free from blame - for example, Mr Charles Villiers and Mr Jonathan Cohen, respectively former chairman and chief executive of County, whose exoneration was described as inconsistent by Lord Boardman, NatWest's chairman, (who has also resigned even though he was cleared of blame).

It would be embarrassing for the Bank to move against Mr Villiers and Mr Cohen because it gave them a clean bill of health when they took jobs in different banks last year. This would imply that the Bank was slow to latch on to the implications of the Blue Arrow affair.

What is puzzling about the process that is going on this week, though, is that the Bank is saying that it will form its judgments not only on the basis of the DTI report, bnt also on other information in its possession. Precisely what this information is, we do not know, but it presumably includes facts and judgments accumulated by the Bank in its supervisory work.

This in turn raises the question why the Bank, if it already possessed this information, did not act sooner to remove people who were not fit and proper to run banks. The Bank's answer is that it wanted to await the ontcome of the inquiry.

A parallel and probably longer jndgement process has been launched by The Securities Association (TSA) which regulates the securities industry.

Although both the Bank and TSA will form their own fitness judgments, they will share information through their formal "gateway". So even though the Bank will not announce publicly which people it has banned, TSA will be told.

One of the longer-term questions raised by the Blue Arrow affair is whether this overlap of supervisory responsibility works well. The Bank thinks not.

In a speech in May, Mr Brian Quinn, the Bank's executive director in charge of supervision, said it led to confusion and competitive inequalities between banks and securities houses which were very difficult to reconcile. It also complicated the European Community's efforts to harmonise supervision at EC level. "I think this points to the need for early reassessment of the UK's current system with a view to adaptations that should ease regulatory burdens and competitive inequalities that could build up," he said.

These views have gained added force through Blue Arrow. Ideally, the Bank would prefer to replace the matrix with a single supervisor. But that would require a big overhaul of the elaborate supervisory structure which has only just been completed under the 1986 Financial Services Act.

Mine revamp points way for coal privatisation

By Maurice Samuelson

THE SELBY coalfield, Britain's biggest and most modern mining project, is to be managed as a separate group under a new British Coal reorganisation designed to reduce administrative costs and increase the independence of individual collieries.

The new format may be a pointer to the way British Coal would be restructured if the Government's plan to privatise it were realised after the next election.

The Selby coalfield, in north Yorkshire, which produces about one seventh of British Coal's deep-mined output, will be managed as a separate group under a new, looser framework like that introduced last year for the peripheral coalfields of south Wales, Scotland, the north-east and north-west.

This will strengthen its management's autonomy and make it easier for future purchasers to form a view of the coalfield's commercial performance and prospects.

The changes are part of a continuing process which has more than halved the corporation's non-industrial staff in recent years.

British Coal's north Yorkshire area, which now runs the Selby complex, is one of four administrative units covering the main coal prodncing regions.

From January these areas will disappear and their collieries will be distributed among groups, headed by directors responsible to one of two new regional directors.

Accountants set to urge radical change in firm ownership

By David Waller

BRITAIN'S three chartered accountancy bodies are today likely to recommend that non-accountants should be allowed to own up to 25 per cent of auditing firms.

This would represent a radical departure for accountants who for more than a century have been legally bound to practice in partnerships with unlimited personal liability.

The council of the Institute of Chartered Accountants of England and Wales, the UK's largest accountancy body, is meeting this morning to consider the latest proposals from the Independence and Incorporation committee of the three institutes. For several years it has been looking at ways of adapting the UK profession to the European Community's eighth company law directive.

A debate over incorporation and outside shareholders has raged in the UK since the directive was introduced in 1984. It ruled that firms should be able to turn themselves into limited companies and allow outsiders to take up to a 49 per cent stake. But today's proposals are framed in such a way as to prevent the flotation of accountancy firms on the Stock Exchange or allow financial institutions snch as banks to own the entire 25 per cent stake.

Under the proposals, directors of auditing firms will be able to vet shareholders, effectively precluding a stock market listing. In an attempt to ensure the continuing independence of the auditor, it will be difficult for an accountancy firm to audit any clients of its leading shareholders. Thus, it is unlikely that a bank could end up as a big shareholder.

The proposals – which if endorsed by the English accountants this morning will be subject to a review by the Office of Fair Trading for any anti-competitive implications – will inevitably prove controversial.

Purists will argue, as they have for years, that any climb down from the position of unlimited liability is a gross threat to the independence of the auditors. Larger practices will probably welcome the move, if only as a matter of administrative convenience: it will allow non-accountants working in multi-disciplinary firms to own a stake in the same business as the auditors.

Medium-sized firms – those in the category below the top eight – will argue that the 25 per cent threshold is restrictive. They lobbied forcefully for a 49 per cent ceiling on the basis that they needed as much financial support from outsiders as possible to compete with the bigger firms.

The latest proposals have already been endorsed by the Irish and Scottish chartered accountants and are different from the Institutes' last public position.

This was that non-accountants in a firm should be able to own np to 50 per cent of the shares but that outsiders could own only 25 per cent of the non-voting shares. Today's proposals limit an outsider to 25 per cent of both the share capital and the votes.

Lex, Page 18

Diesel car sales up, as W.Germany's fall

By Kevin Done, Motor Industry Correspondent

SALES of diesel-powered cars are growing strongly in the UK and accounted for 5.1 per cent of all new car sales in the first half of 1989 compared with 4.6 per cent a year ago.

Diesel car sales rose by 20.4 per cent to 61,039 from 50,691 in the first six months of 1988 compared with an 8.3 per cent rise in overall UK new car sales to 1.196m. By contrast, overall sales of diesel-powered cars in West Europe dropped last year by 4.7 per cent, the second snccessive annual decline.

The recent growth in the UK, which has been matched in France, contrasts sharply with a steep decline in West Germany chiefly as a result of growing environmental opposition.

Diesel sales in the Federal Republic dropped by a third in 1988 where new car buyers are increasingly demanding so-called "clean" petrol cars equipped with catalytic converters to cut exhaust emissions.

The UK diesel car market is overwhelmingly dominated by the French Peugeot Group - inclnding Citroen - whicb accounts for four of the five top-selling models.

In the first half of 1989 the biggest seller was the Citroen BX, which held a share of 13.1 per cent of the segment with sales of 8,000, an increase of 17.6 per cent from the corresponding period a year ago.

The biggest inroads have been achieved by the diesel-powered Peugeot 405, launched in the UK in early 1988. Sales jumped to 6,448 in the first six months compared with 1,389 a year ago. It moved into second place behind the Citroen BX and ahead of the Peugeot 205, which gained sales of 6,091.

The Ford Escort is the only non-Peugeot car among the top five with sales of 5,738.

The share of diesels in the total European market dropped to 14.2 per cent last year from 15.7 per cent in 1987 and 16.9 per cent in 1986.

Sales in West Germany, which was previously the biggest single market for diesel cars in West Europe, have been halved in the last two years with a fall from 780,000 in 1986 to only 382,497 in 1988 with the share of diesel-powered cars dropping to 13.6 per cent last year from a peak of 27.4 per cent in 1986.

P&O ferry case goes to court

SEVEN people appeared at Bow Street magistrates court in London yesterday on manslaughter summonses arising out of the Herald of Free Enterprise disaster at Zeebrugge in March 1987, in which 193 people died. They included Captain David Lewry, the ship's master.

The case was adjourned until October 10 and the seven were granted unconditional bail.

A summons of corporate manslaughter against P&O European Ferries, which had taken over Townsend Car Ferries, owner of the Herald of Free Enterprise, shortly before the disaster, was also adjourned to the same date. It is the first such case to be brought against a company in the UK courts.

LEGAL NOTICES

No.003671 of 1989

In the High Court of Justice
Chancery Division

In the matter of
ASTEC (BSR)PLC
and
In the Matter of the Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice(Chancery Division)dated 24th July 1989 confirming the reduction of the Share Premium Account of the above-named Company from £86,397,730.53 to £46,397,730.53 was registered by the Registrar of Companies on 31st July 1989

Dated this 2nd day of August 1989.

George Green & Co. of
195 High Street,
Cradley Heath,
Warley,
West Midlands,
B64 5HW.

Ref:W.G.G.
Solicitors for the above-named Company.

No 002863 of 1989

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER of
Pearson plc
- and -
IN THE MATTER of
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 26 June 1989 confirming the cancellation of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on the 13 July 1989.

DATED this 2nd day of August 1989

Freshfields of Walden House, 17-24 Cathedral Place, London EC4M 7JA, Solicitors for the above-named Company.

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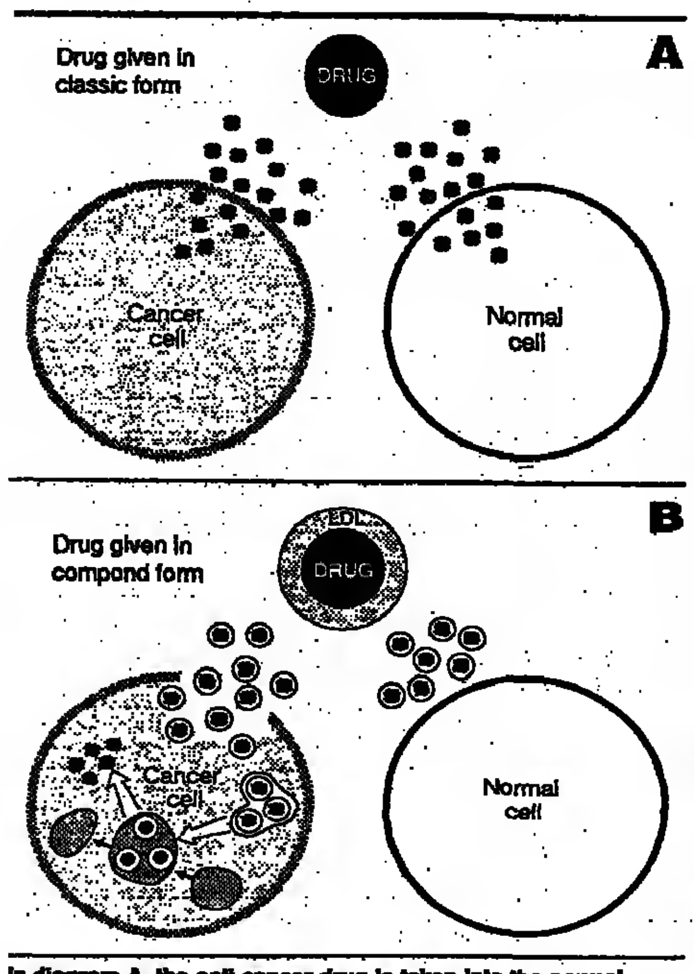
TECHNOLOGY



In diagram A, the anti-cancer drug is taken into the normal cells of the body as well as into the cancer cells.
In diagram B, the LDL-coated anti-cancer drug is taken into cancer cells only, with a much reduced take-up by normal cells

Drugs in disguise find the right spot

Peter Marsh reports on subtle methods of delivering medicine to its target

Everyone is familiar with camouflaged soldiers who infiltrate unseen behind enemy lines. Similar concepts are being harnessed in the pharmaceutical industry to "disguise" medicines so that they travel through the body in a way that maximises their therapeutic potential and reduces side effects.

The methods of disguise boil down to adding to an existing medication, at a molecular level, an outer coating of a substance such as a protein or fatty material.

Changing the drug's surface alters the way it travels through the body's internal pathways, including the stomach, intestines, blood and lymphatic systems. The idea is that the medicine works more effectively because it is aimed at a specific site.

So far, the work on these new delivery methods has mainly been done by small companies. Now their activities are attracting the attention of the pharmaceutical majors, including Glaxo, of the UK, Merck, of the US, and Ciba-Geigy, of Switzerland.

One of the small companies is Cortecs, based in west London, which employs 90 people and has an annual turnover of about £4m. Its main research centre is at Deeside in north Wales. Among its shareholders are Rorer and American Cyanamid, two US pharmaceuticals groups, and Erik Penser, the main shareholder in Nobel Industries, Sweden's biggest chemicals group.

Cortecs's "disguise" strategy has a number of strands. One is to target cancer cells. Such cells, for reasons that are poorly understood, attract large quantities of cholesterol, a natural fatty substance vital to human growth. The cholesterol is carried to the cancer sites through the blood system, wrapped inside tiny particles made of low-density lipo-protein (LDL).

Scientists at Cortecs reasoned that if they could replace the cholesterol with an anti-cancer drug they would have a useful way of delivering the medicine directly to the tumours which needed killing, rather than to healthy cells.

The LDL disguise appears to show promise with Adriamycin, a best-selling cancer drug made by Erbamont of Italy. Like many cancer products, Adriamycin can lead to difficult side effects for patients when administered conventionally. This is because of the way it distributes itself throughout the body, harming healthy cells as well as attacking the cancerous ones.

Another aspect of the work is to wrap up arthritis drugs. Many non-steroidal, anti-inflammatory (NSAI) drugs used to treat arthritis can cause severe problems to patients, especially elderly people, because of the way they are absorbed in the stomach lining. This can lead to ulcers and other unpleasant effects.

Cortecs has found a way to "package" such drugs with particular molecules that make absorption of the materials difficult as they pass through the stomach during digestion. The package's surface characteristics mean that it is repelled by cells in the stomach wall which ordinarily would attract the drug itself.

These outer wrappers – similar in principle to the surfactant molecules used in detergents to isolate fatty substances and so rid clothes of dirt – are broken down when the packages reach the intestine. The drug can then be carried normally into the bloodstream. Cortecs says it has had some success in trying out its packaging system with indomethacin, an off-patent, anti-arthritis drug made by such companies as Merck, and Sumitomo of Japan.

With heart drugs, several of the big-selling beta-blockers suffer the disadvantage of being partially absorbed in the liver before getting to the bloodstream. This leads to the drugs being broken down into other chemicals which do not have the desired effect on the heart, so the dose has to be increased, possibly with undesirable side effects.

Researchers are experimenting with changing the surface of this type of medicine by wrapping it in fatty materials. The aim is to reduce absorption into the liver, improving the the way the drug proceeds from the stomach into the rest of the body.

Michael Story, Cortecs's research director, says it may be possible to design a package so that the drug will infiltrate the body using the lymphatic system to supplement the normal blood-based pathway. The company is working on several beta blockers, among them Propranolol, made by Imperial Chemical Industries.

Finally, an effort is being made to disguise giant molecules. Biotechnology has enabled drugs to be made from proteins of a high molecular weight. But the problem is that these materials are quickly broken down into smaller molecules in the gut, rendering them ineffective. Hence most of these medicines, which include genetically engineered insulin, have to be injected into the blood stream rather than taken orally.

Cortecs has designed a way to cloak such molecules with a material that protects them during their stay in the stomach. Both Rorer and American Cyanamid are showing an interest this method.

Over the next few years, Cortecs plans to hone its scientific ideas further and begin clinical trials on patients. Later, it could enter into joint ventures with larger companies.

At present Cortecs, which was spawned in 1987 from a pharmaceuticals consultancy called TIL, gains virtually no revenues from its medicines. Most of its sales are from more straightforward medical products, such as diagnostic kits. Michael Flynn, Cortecs's chief executive and formerly a hospital doctor in obstetrics and gynaecology, says many of the company's ideas have arisen from its ties with other scientific groups in Sweden, Australia and the US.

He believes that scientists working in small teams are more likely to come up with breakthroughs. "We may need big companies to do marketing, but small groups are much better equipped to do the innovative thinking."

Water mill kit cuts cost to Nepali farmers

By John Madeley

THE USE of water power for milling is an ancient tradition in the Himalayan kingdom of Nepal. More than 25,000 hydro-powered water mills (ghattas) operate in the country, grinding cereals into flour. In the Himalayas as a whole, the total is more than 100,000.

A ghatta has a head of between two and four metres and develops a maximum of one horsepower. "The old ghatta does not generate enough power to do all the things that rural people want to do, such as pressing oil seed and de-husking rice," says Matthew Gamser of the Rugby-based Intermediate Technology Development Group. "It is really only suitable for the stone grinding of maize."

Previous improvements to the ghatta involved introducing metal cross-flow turbines into the wooden systems. But although this greatly increased power output, the price was beyond the reach of most Nepalis.

A recent conference in London, entitled Tinker, Tiller, Technical Change, heard from Ganesh Shrestha, of the Agricultural Development Bank of Nepal, how this problem was being overcome locally.

Akkal Man Nakarmi, a Nepali whose family has long been involved in ghatta improvements, developed a multi-purpose power unit (MPPU), a water turbine based on the traditional ghatta but made out of metal.

"This is suitable for a variety of power applications up to 10 hp," said Shrestha. In particular, the new device could drive rice hullers and oil expellers and generate electricity.

But the cost, about 30,000 rupees (£750), was still too high for most Nepali farmers. Nakarmi then developed a version called the New Nepali Water Mills construction kit. This consists of metal materials, such as axles, bearings and runners, that village people usually cannot make.

Local craftsmen produce the ghattas using the kit's metal parts and local wooden materials. This has brought the cost of an improved ghatta within the reach of many more people.

Placing a finger on a stack of on-screen information

Hypertext is a kind of electronic "QV", a computer metaphor for the ubiquitous *Latin abbreviation indicating that* the reader should look up other information.

Imagine, for example, being able simply to touch a word in an encyclopaedia to have its meaning, origin and so on spread before you as a series of ever more detailed explanations; or to place a fingertip on a feature in a landscape photograph for comprehensive geographic data. Electronic cross-referencing is what hypertext is all about.

Invented some 30 years ago by Ted Nelson, hypertext and hypermedia (which pulls together text, sound and image) have become a hot topic. Apple Computer has popularised the idea over the past couple of years with a product called Hypercard, now a standard feature on the Macintosh computer. It gives the user the impression that text and graphics are inscribed on stacks of cards on the screen, like a card-file system.

Hypertext has found special favour in the educational world for computer-aided learning. Logica, a leading UK software house, for example, is building an intelligent training system called Hits for the Government's Training Agency around Apple's Hypercard.

International Business Machines, the world's largest computer manufacturer, has developed its own version of hypertext. Its Linkway software, intended for the education market, was launched in the US earlier in the year and in the UK last month. It runs on an IBM Personal System/2 microcomputer and costs £78, with a discount for educational establishments. No IBM software product has been so keenly priced.

Written with a US software house, Washington Computer Services, Linkway has an advantage over the Hypercard in that it operates in full colour on a personal computer costing less than £1,000. Hypercard is *limited to shades of grey.*

On the other hand, hypertext experts argue that Linkway's technology lags behind Apple's. Max Whitby, a senior producer in educational television who helped choose Linkway for the BBC's interactive television unit (ITU), says it has just about reached Apple's level of two years ago. So why choose it? Cost, says Whitby. The ITU is using low-cost PCs of the IBM type for schools programmes. The Apple Macintosh costs too much.

The first industrial uses include a hypertext product that helps engineers and designers handle large volumes of documents. A big problem for design teams is the huge number of drawings, parts specifications, revisions and so on. Piled end on end, the documentation for the construction of a North Sea rig, for example, can be taller than the rig itself.

Created by the French company Geci *International*, Hyperdoc can take in documents from all kinds of media and organise them into a homogenous database from which they can be retrieved using simple commands.

So what is hypertext? The concept is simple. Look at its use in education. A module – natural history of the dinosaur, for example – is created as a series of screens, or "cards", full of information. The relationship between each piece of information on each screen is defined and "undsrstood" by the system. Each piece of information can also be defined as a "button": when "pressed" using the screen cursor, the next level of information is revealed.

So in the dinosaur example, the first screen might show various types; press *Diplodocus* and a screen showing its geographic distribution appears. Press a particular country and an artist's impression of Diplodocus *in its natural habitat* fills the screen.

How comprehensive the linkages are is at the discretion of the author of the module. It would, for example, be possible to touch the ferns in the picture to yield a discourse on the vegetation of the time.

The IBM system makes it possible to build links with text, music, speech, graphics (still and animated), photographs and video images. It can be used to assemble educational material of remarkable richness compared with conventional computer-based training.

The concept of Hypertext may be 30 years old, but it took an advance in software technology called object oriented programming to bring it to fruition. This technique models the real world in terms of software "objects", computer programs which describe both the object and what it does. Critics of Linkway complain that its software is not object oriented enough.

But despite its power and novelty, Hypertext has so far remained something of a cult, perhaps because it seemed to be a technological answer in search of a question.

Logica's project for the Training Agency, however, is using Hypercard to build an intelligent training system which it believes will cut the time and cost involved in producing computer-based training.

The Hits system allows teachers to develop topics which are automatically linked together to form lessons. It also monitors the student's progress, raising or lowering the level of tuition to the student's grasp of the material. Employment law is the first subject chosen for the Hits treatment.

Alan Cane

TECHNOLOGY MARKET

MANAGEMENT

Leveraged buyouts

How Safeway blazed a trail

Anatole Kaletsky explains that wage reductions were the crucial factor in the US supermarket chain's success with a highly geared deal

With the £2bn takeover battle for Gateway, the large British supermarket chain, now over, interest is shifting to the longer-term prospects for Europe's biggest leveraged buyout. One reason for optimism about Gateway's future has been the remarkable success of leveraged buyouts and takeovers of supermarkets in the US.

Since 1985, almost every major US supermarket chain, including Safeway, Kroger, Stop & Shop, Vons, Lucky and American Stores, has undergone an LBO, a takeover or leveraged restructuring.

Not one of these groups has floundered, so far, and some of the LBOs have done far better, sooner, than even their own sponsors had dared to hope.

Shrewd property sales, tight cash flow disciplines and managerial incentives all played their parts in the US retail LBOs and this experience has provided some confirmation that supermarkets, with their steady, recession-resistant cash flows and frequently undervalued real estate are ideal vehicles for leveraged transactions.

However, another less familiar feature of the American supermarket industry was equally essential to the success of the US buyouts – and this feature will not be readily transplanted to Britain, especially in the economic climate today.

Indeed, the success of one of the earliest, Safeway Stores, depended to a large degree on a unique characteristic of the US labour market, which may not be replicated elsewhere. Quite simply, the US buyouts worked so well because of drastic, if selective, wage reductions.

In turn, these cuts – which other supermarket buyouts have also instigated – depended not just on aggressive bargaining tactics but on the fact that most of the newly leveraged supermarkets were unionised businesses facing non-union competition.

When big unionised chains were able to cut their labour costs to non-union levels, the benefits to LBO lenders and investors were immediate and large.

The $4.2bn buyout of Safeway was the biggest and most stunningly successful supermarket deal of all. In July 1986, when Kohlberg Kravis Roberts, the pioneer of the US LBO business, agreed to pay $67.50 a share for Safeway, it was widely accused of overpaying for a company the stock of which was trading at just $40 two months before the buyout.

The banks and junk bond investors who financed the deal looked even more stupid. Even by the broad-minded standards of the LBO business, the leverage supporting the Safeway buyout was astonishing; in fact, the chairman later described it as "possibly the most leveraged deal in history."

After refinancing existing obligations, the company's total debt at the time of the LBO came to $5.7bn. Since the balance sheet showed equity of only $185m, the debt-equity ratio was 31 to one.

As for the company's management, its actions were widely interpreted as a classic instance of corporate hara-kiri. Here was a group of people who had become so closely identified with their family-run business that they preferred to destroy it rather than let go.

It was a hostile takeover bid from Herbert Haft, the notorious Washington corporate raider, that prompted the Safeway buyout, and Peter Magowan, the company's young, softly spoken chairman, still admits that he saw the LBO as a distasteful gamble. It was a question of trying almost anything to stop his cherished company, which Magowan's father and grandfather had controlled before him, falling into Haft's hands.

Considering these unpropitious beginnings, it may seem surprising that Safeway has done more than survive since the buyout. It has prospered. According to some criteria, such as returns on equity and operating margins, it has prospered as never before.

In its latest quarterly report, covering the three months to March 25, the company managed to record an $8.8m net profit after paying more than $89m in interest charges. Its operating profit, before taxes and interest, was up by 61 per cent to $105m. Its sales were 8.2 per cent higher than a year earlier at $3.23bn and it had raised planned investment to $300m in 1989, from around $250m in 1988.

Perhaps most important, Safeway had paid off virtually all its short-term bank borrowings and had reduced its medium and long-term debt from almost $5bn to less than $2.5bn. Cash flow in the last few quarters had easily been sufficient to cover interest charges and, given that no major capital repayments are due until 1996, there was no further pressure to sell off stores.

The restructuring process was "now essentially completed," Magowan felt able to declare as he announced his most recent quarterly results.

To reinforce his claim, Magowan was able to point to a 20 per cent increase in planned investment this year and the largest store remodelling programme the company had ever undertaken.

How, then, did Magowan restore financial and managerial stability after what he himself described as the "incredible trauma" of the LBO? And what lessons are there for other businesses trying to perform similar feats elsewhere?

Like most other LBOs, the Safeway buyout depended for its success on three essential ingredients: disposing of relatively low-yielding assets for surprisingly high prices; reducing costs, especially labour costs and overheads; and sharpening control of inventories and investment.

What made the Safeway experience instructive was not just the speed with which Magowan and KKR were able to achieve these objectives and the evidence they provided that supermarkets, with their stable, recession-proof cash flows, were indeed the ideal candidates for LBOs.

While Magowan naturally stresses his considerable achievements in cutting overheads, improving financial reporting, reducing inventories and streamlining capital spending, he frankly concedes that the most crucial determinant of the buyout's success was the renegotiation of Safeway's union labour contracts.

These renegotiations cut Safeway's average labour costs from 14.1 per cent of gross sales to about 11.2 per cent, resulting in a tremendous widening of profit margins, which in the supermarket business often amount to only 1 or 2 per cent of gross sales. Even more important, the possibility of cutting wages allowed unwanted divisions to be sold to other supermarket operators for extremely high prices, despite the meagre profits these stores had earned before.

"The buyer of a division would offer us two prices: say, $100m with our present labour costs of $14 an hour; but $200m if we could get the unions to accept a cut to $10 an hour. In many areas, like Oklahoma, we were the only retailing group in the area that recognised a union. The logical buyers for the division would be a non-union firm. But there might be another group of buyers, such as financial firms prepared to do an LBO, which would agree to work with the union if we negotiated a wage reduction. We would explain this to the union and, in most cases, they would see the logic of accepting competitive wages to maintain union recognition and keep a division intact. This was how we sold our Houston, Oklahoma City and Little Rock divisions to unionised operators for high prices."

By renegotiating wages, Magowan was able to dispose of 1,200 loss-making or marginally profitable stores for $2.45bn. This was 45 times their annual profits and 40 per cent more than KKR had estimated in its original calculations for the LBO's financing. Excluding the profitable overseas divisions, Safeway's unwanted US assets were sold on price/earnings multiples which averaged an astonishing 141 times.

In retrospect, these stratospheric valuations were less surprising, since Safeway's dismal pre-LBO earnings in such areas as Texas and the south-eastern states were largely due to low-wage competition from non-union operators.

As Magowan points out, in areas where Safeway's competition was itself unionised, the group was mostly doing well even before the buyout and wage cuts were not required. Indeed, his personal attitude to unions is far from hostile. If more stores groups were unionised and low-paying employers were forced to raise wages, competitive conditions would become fairer and business would improve for a unionised group like Safeway, he maintains.

"We never went to the unions, saying 'We've got all this debt to pay and so we need concessions.' If we were failing in a market where we had wage rates equal to the competition we recognised this was the management's fault. We never asked the unions to help us with our problems. We just asked them to look at the wages the competition were paying. In northern California we paid $17.50 an hour but we didn't get a reduction because we didn't need one – the competition was unionised and was paying the same rates."

The damage inflicted by business schools

By Michael Skapinker

Critics accuse business schools of being factories which turn engineers into arrogant and overpaid management consultants.

Harold Leavitt of Stanford's Graduate School of Business goes further than that. What business schools do, he says, is inflict lasting damage on "well-proportioned young men and women, distorting them into critters with lopsided brains, icy hearts and shrunken souls."

Business schools teach their students how to analyse. They teach them about banking systems, financial markets and organisational structures. They try to teach them how to negotiate and lead a team. Where they fail, Leavitt says, is in helping students learn about leadership, imagination, determination and a sense of duty. Business schools do more to damage than nurture these qualities in their students, he says.

Writing in the California Management Review, Leavitt says that "it has become rather obvious that there is much more to modern managing than what we are teaching in our business schools. Some significant and painful changes seem in order."

Leavitt is not alone in his concerns. At the International Managemant Institute in Geneva staff are talking about getting away from "teaching" Masters of Business Administration students. Rather than forcing them to sit through lectures, the IMI faculty is keen to create an environment in which students can learn from a variety of sources, as well as from one another.

Most European schools, however, would admit that they too suffer from an over-emphasis on numbers, analysis and book learning. This is not particularly surprising; the European schools were modelled on their older American counterparts.

US schools became obsessed with empirical and analytical skills in the late 1950s and early 1960s, Leavitt says. They did so in an attempt to improve their desperately poor academic reputation.

To raise their standing, American schools began to concentrate on research – "empirical, quantitative, analytic research. Research, they and many of the rest of us believed, was the surest route to a better faculty, better students, academic respectability and a leadership role in the business community."

The emphasis on research was successful. "A massive improvement in the academic quality of our business schools ensued. Our colleagues in other departments began to talk to us, and recruiters began to knock on our doors."

"Of course, our business schools were not alone in their pre-occupation with analysis and empiricism. The leading business organisations of the 1960s travelled a parallel course. The companies we honoured then were mostly the highly analytical ones." Masters of Business Administration graduates did not go to work for new companies. They went to work for Ford.

While the move to analytical methods was a valuable one, it is time for business schools to move on. "Once in a while we have to break out, to make a quantum leap. Now is such a time, just as the 1950s was another such time." Companies now recognise the importance of entrepreneurship, innovation, vision and leadership. Business schools need to catch up with them.

Some might say that for business schools to teach leadership and vision is a waste of time. Leaders and visionaries are born, not made. Leadership is in their genes. "Of course it is," Leavitt writes. "But so are aptitudes for mathematics and baseball." Business schools should aim to build on the qualities their students already have.

A more difficult question is how business schools should develop these talents. They could begin by increasing the diversity of their student bodies, Leavitt says. Schools need to take in more arts graduates to dilute the influence of the engineers and economists.

In addition, Leavitt says, schools can begin to recruit new faculty members from previously unimagined disciplines. "In the 1960s we brought on psychologists and mathematicians. This time, let's bring on the historians and philosophers and humanists."

California Management Review. Spring 1989.

JOBS

High-tech boomerang strikes headhunters

By Michael Dixon

THE MEGABYTERS are at last being bit, it seems.

Just three months ago the Jobs column reported that some headhunters are using the vast memories of today's portable computers to tont for business. They talk their way into employers' offices, find out the requirements of a post that needs filling, then feed them into a portable which promptly displays the career records of various people suited to the job.

While that is all very well if the people in question know that their names are being bandied abont, they apparently often don't. They may not even be interested in changing their job. The computerised data could have been winkled ont of professional directories and so on without their knowing.

Alas employers sometimes gossip with one another, and a good many still mark down staff reputedly seeking a move as disloyal. So the sales gimmick can hardly be called a scrupulous use of high tech by the recruiters' side of the market.

Now, however, they are evidently heing repaid in kind by the emergence of the "Fax Pest" who, like the Furies of Greek legend, is *bounded by neither space nor* time. Witness the following report from a headhunter who asks for anonymity:

"In May I received a faxed letter and curriculum vitae, altogether unsolicited, from New Zealand. The sender said I'd been recommended to him, and requested not only a meeting but a 'phone call acknowledging receipt.

"I replied saying: 'Fax received OK. But we don't arrange meetings without a worthwhile agenda.'

"He instantly re-faxed his letter and CV.

"In July he faxed again, advising that he could meet me in September and asking for confirmation that the fax was readable.

"It was. But since we file unsolicited applications by job-categories and not under names, we couldn't readily find his CV. I told him so, which was a mistake because he immediately went into overdrive.

"He faxed us everything he had ever sent to us.

"He faxed us everthing we had ever sent back to him.

"He asked us to confirm that all of it had arrived.

"He *still* looks forward to a meeting.

"In fairness to the outplacement consultants who unleashed this fiend, I should stress that they are as *unhappy about it as I am.* From now on they will draw their clients' attention to the counter-productive nature of such tactics.

"P.S. He says he's going to be in Canada shortly, and so will find it easier to pop across to meet me."

Mixed bag

THREE assorted jobs are offered by two far-flung recruiters of the Anthony Nevile International consultancy on behalf of employers they may not name. So they promise to honour applicants' requests not to he named to their clients at this stage. The same goes for the other headhunter to be mentioned later.

Mr Nevile himself seeks a group finance director for a trading company in Dubai, which has a US$1bn turnover from international interests in banking and financial services, construction and manufacturing, and real estate. The recruit will he responsible for both financial and management accounting, treasury work, the forming of corporate financial strategy, and the running of advanced information systems.

Candidates should he successful in a post of similar sort and seniority in a worldwide multi-cultural trading organisation, requiring commercial acumen as well as technical financial skills. They should also have an accountancy qualification or a master's degree in business administration.

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Inquiries to Anthony Nevile at 31 Castle Street, Farnham, Surrey GU9 7JB; tel 0252 711311, fax 0252 733120.

His colleague in Scotland – Graham Walker – offers two jobs, the first being in Northern Ireland.

A self-standing technology centre there, engaged in research and development as well as consultancy and testing, wants a business development manager. Reporting to the managing director, the newcomer will be responsible for forming and putting into force a business strategy with the aim of extending the centre's clientele which is at present concentrated in the textile industry.

Since there will be strong emphasis on marketing and sales, the joh calls for first-hand knowledge of those activities in addition to a technical background and qualification. Management experience in manufacturing, *preferably textiles*, will help.

Salary around £30,000. Car among the other benefits.

The other post is for a sales and marketing director with a big group's subsidiary in South Yorkshire, which in the past two years has trebled its sales of custom-moulded components and propriety products to a wide range of businesses. The recruit will be responsible to the managing director for further expansion, not least through the development of new product lines for a variety of niche markets.

Candidates should be line managers with success in marketing, and experience of selling manufactured goods for industrial uses.

Salary again about £30,000, plus company car.

Inquiries to 69 Midton Rd, Ayr, Scotland KA7 2TW; tel 0292 287969, fax 0292 611038.

Economists

THE MUCH-MISSED Martin Higham, former personnel manager of Rowntree, used to claim he had once been told hy a director to recruit a one-armed economist.

The director added that he was sick of the company's existing economists' telling him "on the one hand this, but on the other hand that." He thought the recruit he *had in mind would be more* likely to give a definite view.

Which makes me suspect that some of this column's readers are economists – the 21 people in four countries still quibbling about the problem I first posed four weeks ago. It was to find the "one certain" conclusion that can be drawn logically from the premises:

1.– All of the bankers are accountants.

2.– None of the chief executives is a banker.

My answer was: some of the accountants are not chief executives. The 21 say it should be: *either* some *or* all of the accountants are not chief executives.

The fact is that while we are certain that some of them aren't chiefs, we cannot be certain whether the same applies to all of them even though it might do. So the disputants' version is surely not a "certain" answer.

If they are economists, hy the way, they may care to know that headhunter John Williams seeks one for a City of London firm. Candidates should be expert on UK equities, and experienced enough in dealing with the media to be a company spokesperson.

Salary up to £80,000, plus profit-share, car and other City-type benefits.

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FINANCIAL TIMES
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Across Oka

THE PIT

The white Siberian crane having become close to extinction, ornithologists have transferred some to America, with the idea that they could breed there. Eggs would then be taken to their natural habitat in the Oka Reserve, where they can breed naturally once more, like the Hawaiian trogeese, or ne-ne, that Sir Peter Scott rescued from Hawaii and bred in Gloucestershire.

The Russian ornithologist Kabalevsky secures a couple of fertile eggs from America and takes them back to the Oka, with the idea of laying them in the nest of another kind of crane and getting them hatched. But two things happen that could never have occurred to anyone but a dramatist. First, Kabalevsky makes friends with an English family and invites their boy and his grandmother to visit. Second, the English boy Matty (Edward Rawle-Hicks) and the Russian boy Nikolai (Timothy Stark), who are entrusted with the vital re-nesting, get so cross with one another that Matty deliberately smashes the eggs.

You might use this tale for a short story, but Robert Holman has made it into a two-act play lasting over two hours. He has done this by presenting us with a pair of still-life portraits. Act 1 deals only with the domestic life of Matty's family. Here are his grandfather (who dies quite soon, and so deprives us of the delightful playing of Alfred Burke), his grandmother Eileen (Patricia Lawrence, adept at revealing how dull old people may become); and his mother, a doctor (Jane Cox).

Their family life is mostly concerned with trivia, to which Mr Holman gives much suitably trivial dialogue. Two things we do learn, however – that Matty is an idle, spoilt boy who trades on his charm, and that Eileen secretly longs to visit Russia, just as her husband had, and just as ineffectually.

But along comes Kabalevsky. Act 2 takes us to his home in the Oka Reserve, where Matty and his grandmother are the guests of Kabalevsky's English wife (Joan Blackham). Kabalevsky is said to be in America, and Nikolai longs for a telephone-call from that new world; but his father makes an unexpected return. Nikolai's Communism is so deeply ingrained that he seems like a parody. The other folk naturally pair him off with Matty, and their disallegiance soon show.

When Kabalevsky reveals his fertile eggs, it is inevitable, in a story of this kind, that Matty is going to break them. We only wonder how and when. What we do not expect is a long expedition by boat to the nesting grounds. Relations between the boys become worse and worse, and I was only surprised that the eggs survived as long as they did.

The play is done on a bare stage of polished planks, to which chairs are added as required. Sarah Pia Anderson is the director, but it's hard to see what more she could have done to add any zing to such a flat story, with two-dimensional characters laden with tedious dialogue. I can't imagine how such an interesting writer as Robert Holman could have failed to see that he was trudging up a blind alley.

The ne-ne in Gloucestershire are now plentiful and healthy.

B.A.Young

TELEVISION

The complete naff guide to kitsch, schlock & schmaltz

A non television owning acquaintance is staring in appalled fascination at *Buck Rogers In The 25th Century*, one of the regular series offered by BBC2 under the "Def II" umbrella. "Good grief this is unbelievably naff" she says. I disagree, not with the thrust of what she is saying, but with her terminology.

Only last week Peregrine Worsthorne was pondering on the meaning of the word "naff" in The Spectator. Scarcely an hour went by, he declared, without one of the ravishing and witty Graham girls (I am not making this up) using the word, but neither was prepared to give him a definition: "As far as I can gather, anything pretentious or flashy is naff." There seems to be more than a hint here of the judge who asked "What are The Beatles?" since the word naff has been around, according to Partridge, since at least 1940 when prostitutes were using it to mean "nothing," and "The Complete Naff Guide" published in 1983 includes not only a list of six "Naff Remarks By Peregrine Worsthorne" but also a list of "Naff Dutch Arrivistes" which contains just one name: Peregrine Worsthorne's.

There is, of course, no precise synonym for "naff" – if there were, we would not need the word – but it surely includes hints of lacking style and being vulgar and unfashionable, and (often, but not invariably) cheap. *Buck Rogers* is vulgar and relatively cheap, particularly when bought secondhand by British television, but TV space sagas of this sort are far from unfashionable. On the contrary they are, so we are assured, watched avidly by young people who do not take them seriously but enjoy the sheer silliness and the show-off style. Witty girls who say "naff" a lot seem to love them.

This series, remember, is not ABC's 1950 black and white production where Buck's tights were woolly and wrinkled and the rocket ships looked suspiciously like dustbins with cardboard cones on the end. That really was naff. In the 1978 series now running on BBC2 Buck dresses like Frank Sinatra in *The Pride And The Passion*: white shirt unbuttoned for lots of chest hair, white trousers tucked into black riding boots, and a scarlet sash at the waist.

In much the same spirit his beautiful female companion wears a tightly waisted navy blue officer's jacket with lashings of gold braid, straight out of *The Prisoner Of Zenda*, teamed with white satin-sheen stretch ski-pants merging seamlessly into very high-heeled shoes. She, too, gets a scarlet sash. The accompanying absent-minded professor (played with supreme relaxation by Wilfred Hyde White who burbles through the proceedings on autopilot, with a permanent benign grin) wears a pale blue cardigan, cravat, and grey flannels.

The incongruity of this suburban outfit amid the space ship sets begins to give the game away: surely this must be, in part, a spoof on *Dr Who*. The presence of a large supercilious robot named Crichton and a small friendly one named Twiki confirms the theory. This series was made in the year after the huge success of *Star Wars* and what we have here is partly a straightforward pastiche and partly a knowing parody of all preceding space odysseys. The lines of rivets on the bulkheads must indicate a designer with tongue in cheek and memories of H.G. Wells because, by 1978, we all knew what space craft really looked like.

Gil Gerard as Buck Rogers; Cilla Black, of 'Blind Date;' and Thora Hird in 'Praise Be!'

That being so, I tell my non-television-owning acquaintance, we must conclude that *Buck Rogers* is not so much naff as kitsch, a term with overtones of knowingness and glitter as well as vulgarity. Aha, she says, entering into the spirit of the thing, she saw a game show at another friend's house recently and that, too, must deserve the term kitsch: *Blind Date*. In this Cilla Black enables a man to make a date with one of three hidden women, or one woman with one of three hidden men. Once again I take the point, but disagree about the terminology.

It is true that Cilla Black goes some way towards sending herself up: her gestures to her adoring studio audience are exaggerated enough to verge on self parody, and she clearly strains to preserve, if not exaggerate, her accent. She opened the *Best Of Blind Date* on Sunday by telling us "When you consider two things happen . . . " and on hearing from one participant "I'm a vision technician Cilla" she remarked "I think yore 'avin me on, wossa vision technician?" and was told "A window cleaner."

That exchange, however, gives the game away. *Blind Date* is not delightfully knowing, it is scrupulously – or rather, unscrupulously – prepared, even manipulated. Spontaneous humour from the participants might be charming in a kitsch sort of way, but when the gags are obviously rehearsed and the participants look as though they are desperate for Equity cards, then what we are watching is not kitsch hut schlock.

Well well, says my friend (who seems to treat television as some smokers treat cigarettes: they "give up" in that they no longer buy any, but happily bum off everyone else) well, well, she saw the most wonderful example of schlock at yet another friend's house, and this, she was told, was one of the oldest series on the box: *Come Dancing*.

Not just one of the oldest, I assure her, but the oldest by a considerable margin: it was first broadcast on 29 September 1950, and today it is a wonder to behold. Last week Angela Rippon, wearing a set of those ruched curtains that are now so popular in mock Tudor bypass houses, introduced proceedings from The Tower Ballroom, Blackpool. Home Counties North competed against the North West, and the camera zoomed in over potted plants to capture those darting gestures – like herons catching fish – of the couples in the "modern" sections.

The costumes on Come Dancing nowadays have to be seen to be believed. Even in old fashioned numbers snch as the veleta the ladies' decolletage plunges literally to the waist, and in the Latin sections it is often difficult to tell what the tiny scraps of net and the minute tasselled frills serving as skirts are fixed onto. They make ice skaters look as though they were costumed hy Mary Whitehouse.

The climax arrives in the "Offbeat Section" where teams of dancers go througb routines owing more to gymnastics and rock and roll than to the military precision of the old formation teams such as Ada Unsworth's which I used to report for the Slough Observer. Last week's winners were the Rainbam Rangerettes – "current pom pom and baton twirling champions" said Angela – who wore black and white polka dot minis with Gussy Moran knickers, and did an American cheer-leaders' act.

But however tasteless, vulgar and garish *Come Dancing* may be, it has none of the self-knowing "wink wink" atmosphere of *Buck Rogers*, nor the calculating self-promotion of *Blind Date*. Althougb startlingly revealing, the costumes seem utterly innocent, and with its pink and hlue lights and its dear old dance bands playing "Smoke Gets In Your Eyes," it is all too sugary to be schlock. This, I tell my friend, is schmaltz.

Oh-ho, says she, then presumably that is also the right word to describe the Sunday evening hymn programmes which she has seen from time to time at ber mother's: *Dial-A-Hymn* on ITV and *Songs Of Praise* (currently *Praise Be!*) on BBC1.

They certainly do convey the same feeling as *Come Dancing*, of inhabiting a world of affection and sentiment, golden wedding anniversaries, and the good old days. Furthermore *Dial-A-Hymn* this week discovered a church where the vicar, in scarlet sweater and slacks, announced "This is one of the hymns we like to interpret in dance," wbereupon six ladies in fetching turquoise and navy Tricel outfits did callisthenics in the aisle.

It is all terribly sweet and ducky, but these programmes seem to have taken the egg of religion and blown out all the meat – the faith, the discipline, the intellectual rigour - and filled the sbell with pure syrup. That is a cheap and tawdry thing to do, I tell my frieod, and we would consequently have to say that these hymn programmes are a bit naff . . .

Christopher Dunkley

Bluebeard

COVENT GARDEN

By means of a ten-performance sojourn, the first of its kind in this country, one of the world's most talked-about opera companies is currently showing its wares in London. This is the Komische Oper of East Berlin, founded in 1947 by Walter Felsenstein, and developed by him into an ensemble which forged a brave, newly dramatic, and profoundly influential vision of opera – of company opera, closely knit, finely and purposefully rehearsed, always "progressive" and often sternly didactic in purpose.

Over the years this page has featured many reports from the Behrensstrasse theatre on the work of Felsenstein, who died in 1975, and his successors and heirs, Götz Friedrich, Joachim Herz, and Harry Kupfer (currently the company's Principal Producer). But the visit itself means, of course, a great deal more; the Royal Opera and the sponsors, APV plc, deserve our gratitude for effecting it.

The repertory – all of it sung, as is Komische practice, in German – is made up of Smetana's *Bartered Bride* and Gluck's *Orpheus*, in recent productions by Kupfer, and Offenbach's *Bluebeard*, in a 1963 staging by Felsenstein performed more than 350 times since then and "kept alive" with regular revival and re-rehearsal. It was this *Ritter Blaubart* which on Monday opened the season: in many ways a strange experience, rivetting to watch and examine, yet leaving an oddly unsatisfying, unsettling taste behind it.

Barbe-bleue, an *opéra bouffe* (1866), which used to be a Sadler's Wells operetta staple, is a darkly hilarious piece, every bit as scathing about the abuses and peccadillos of the ruling class as the more familiar *Belle Hélène* and *Vie parisienne* (it comes between them on the Offenbach worklist). To people who cherish the dangerously heady exhilaration of French Offenbach at its best (a style notoriously difficult to transport across national frontiers), Felsenstein's production will come as a bit of a shock.

It is distinctive (Wilfried Werz's designs are a fascinatingly skewed jumhle of period properties full of sly, erudite sight-gags); and it is closely detailed – one gawps in amazement at the masterly complexities of chorus blocking, each part fine-tuned down to the last hand-flutter. There are extraordinary theatrical coups, like the march-on-the-spot in Act 1 and the call-to-arms of Boulotte and Bluebeard's other discarded wives, brought to a perfectly gauged climax. Each of the principal performances is slotted in with the smoothness that comes from long, deep experience; the joke of slipping into French may be predictable hut there is a pleasure to be had from the ease with which it is tossed off.

While the lessons of Felsenstein may have been pondered and absorbed all around the operatic world – and, indeed, by our own national companies – since this show was first mounted, one still derives a feeling of revelation from such an encounter.

Yet in spite of this there is a preserved-in-aspic quality about the performance that increasingly goes against the grain of both the genre and the music. It does not help that under Joachim Willert's baton there is no real swing to the numbers – rhythmic attack is unidiomatically dainty – nor that too often the siting of actors and projection of spoken passages seem geared to a smaller, more intimate theatre than Covent Garden.

More important, I felt a want of genuine Offenbachian audience address, the true entertainer's verve, in the personalities and voices of all the principals except for Uta Prieuw's warmly natural Boulotte and Günter Neumann's glittering-eyed Bluebeard, a hint of menace properly informing his fantastic postures and befeathered swagger. Werner Enders has given his dottily reptilian Bobèche in every performance of this *Bluebeard* production since the first – and, though one admires the elaborateness of his routines, it is now all fearfully unspontaneous.

Lack of spontaneity was, indeed, the keynote of Monday's performance. In the finale, reworked (according to a programme note) in order not to "reduce the significance of all that had gone before," the moral-instruction purpose of the production, glimpsed earlier, shows through at last in all its deadly East German earnestness. Offenbach's own anarchic brand of social criticism is replaced with an emblematic "alienatory" lesson to tbe audience in the follies of kings and rulers. It is entirely in keeping with the spirit of the whole production; hut f have to say that it stuck in my gullet.

Not, then, a very hilarious evening. But for students of postwar operatic history and devotees of remarkable, tightly integrated operatic production alike, it will provide much food for thought.

Max Loppert

Sellars' Mozart Trilogy

PEPSICO SUMMERFARE, NEW YORK

The Performing Arts Centre of the State University of New York at Purchase, an hour's drive north of Manhattan, has hosted the Pepsico Summerfare for ten years, providing the more adventurous New York audiences with a challenging alternative to tbe hox-office orientated events that the traditional city outlets offer during the summar months. All that is to end: Pepsico's sponsorship of the 1989 Summerfare is its last, and nothing is planned to fill the nicbe, or to bring more regular professional events to the outstanding range of facilities that Purchase offers.

In the last three seasons the jewels in Summerfare's crown have been Peter Sellars' stagings of tbe Mozart/Da Ponte operas, which began in 1986 with *Cosi fan tutte*; Andrew Porter reported here on each when it was unveiled. Now as a grand finale the three productions are being played as a cycle on successive days. Experiencing them for the first time and as a trilogy was as enthralling and disturbing as it was provocative and infuriating.

Sellars relocates all three operas in present-day New York, hut eacb is mada to look and feel startlingly different from the next. *Le nozze di Figaro* is set in the *beau monde* of a Fifth Avenue penthouse, with Almaviva a wealtby financier and Figaro his chauffeur; *Don Giovanni* is acted out on a single night in the seediest part of Harlem, while *Cosi* is shifted to Despina's diner down by the shore. Each transposltion ls immaculately detailed; tbe sets – hy Adrianne Lobel for *Figaro* and *Cosi*, George Tsypin for *Giovanni* – are exactly right and magically lit, their litter of pop culture strewn through the texture with unfailing topicality. Everything works; each element is knitted exactly into tbe scheme. Sellars has collected about him a troupe of singers wbo believe absolutely in the integrity of what they are doing, so that he is able to automate these reworkings with minote precision. Revivals they may be, hut each production bas been rigorously rebearsed, the honing process continned until it all runs like clockwork.

To carry tbe concepts through, the action sometimes has to depart more or less from the lihretto. Sellars, perhaps surprisingly, chooses to have the text sung in Italian, without even surtitles, but it soon becomes clear that his ldeas posltlvely depend npon an imperfect understanding of the line-by-line detail; anyone who knows or understands the libretto would find it undercut or ironised at almost every point, and mistake the thrust of the stage arguments or hopelessly twist its geometry. Words, one swiftly discovers too, are rated far lower than gestures, so that recitative may happily be gabbled, and arias delivered towards the back of the stage or into the ground.

That matters of course, but in this context it comes to matter less and less, just as the musical deficiencies – in vocal finish and especially ln the tepid conducting by Craig Smith and in-and-out orchestral playing – are suhmerged by the vividness of Sellars vision. At its most potent, in *Don Giovanni*, the effect is shattering and liable to haunt every production of the opera one sees in the future. Of the three lt is *Figaro* which sticks closest to the original; its translocation seem the most cosmetic, its action the least violated. It was also this last weekend the least successful in performance, musically uncertain, and never revelatory in the ways its companions proved to be. In this *Figaro* the mapping of social positions, and supreme distaste for the power that money brings is everything; characters are not finely drawn, nor insights offered. Despite the bumour, the visual conceits, the superbly timed vaudeville routines, it fudges the important moments, adds little and takes away a great deal.

Sellars pnts another knot into the tangles of *Cosi* hy having Despina and Alfonso struggling to revive a relationship gone sour. The disguises play a negligible part, and the opera becomes an unsettling fable on the perils of partner-swapping, with no convincing resolution; the final blackout has all six protagonists literally reeling from the shock of what they have unleasbed, so that emotional disintegration or tbe most gingerly reconciliations are the only possible outcomes. The principals, shared with *Figaro*, give better accounts of themselves her, dominated significantly hy Sanford Sylvan's Alfonso, a Vietnam veteran with a barrowload of hitterness to unload, and witb Frank Kelley and James Maddalena as Ferrando and Guglielmo, Susan Larson (also a feisty if underpowered Cherubino) and Janice Felty as Fiordiligi and Dorabella. Sue Ellen Kuzma's Despina was as crisply drawn as her Marcellina in the *Figaro*.

Both shows, however, were quite overwhelmed hy the lowering vision of *Giovanni*, bleak, violent, and often departing wildly from the spirit and the letter of the scenario, hut creating an all too credihle world. Giovanni and Leporello, played wonderfully hy identical twins Herbert and Eugene Perry, hang out on street corners, peddling drngs and casual sex; Anna and Elvira (eqnally fine performances from Dominique Labelle and Lorraine Hunt) are drawn to Giovanni by the prospect of those two commodities. The killing of the Commendatore is matter-of-fact; violence permeates everything. What Mozart designated a *dramma giocoso* is given only humour of the blackest, ambiguous kind.

Eacb act is projected on a curve of ever increasing tension; the acting never falters and even the longueurs in the conducting – Smith has an unfortunate tendency to equate heights of emotion with languorous tempi – failed to halt implacable advance. The final scene is spine-chilling: a door-step takeaway serves for the feast, and Elvira's final pleas are greeted with a fusillade of French fries. The street begins to disintegrate and Glovanni's past – the women and children he has destroyed, comes to claim him. Every moment of that scene seems to last an eternity, and each element of it is directed towards the same appalling eod.

The buses which takes audiences back into the city after Snmmerfare performances travel through Harlem, past the very run-down tenements blocks that dominate Sellars' production. It gave this *Gioovanni* a terrible resonance; seeing the production anywhere else (and parts of the trilogy come to Europe later in the year) would be not be the same, hnt it will still offer a quite special and compelling experience.

Andrew Clements

ARTS GUIDE

July 28-August 3

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production, Geraldine James a superb Portia (836 2294).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Ivanov (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical suicide a Simon Gray character (836 1660). Until Aug 5.

London International Festival of Theatre. LIFT, the fifth biennial festival takes place all over London during July. Recommended highlights are the Abbey Theatre of Dublin in Tom Murphy's *A Whistle in the Dark* at the Royal Court (730 1745) all month and the Comédie de Genève in Strindberg's *Miss Julie* at the Lyric Hammersmith (741 2311) in the last week only. More details on 240 2428.

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 3464).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Clive Francis plays Guy Burgess in a rehash of Bennett's fine TV film *An Englishman Abroad* (734 1166).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).

Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway *lessons in pageantry and drama* (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Funny Thing Happened on the Way to the Forum (Goodman). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Lewis DiCesarone as Pseudolus in Burt Shevelove and Larry Gelbart's adaptation of Plautus. Ends Aug 6.

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Misérables (Auditorium). *The international spectacle has* settled in for a long stay by the Great Lakes (922 2110).

Tokyo

Les Misérables. Imperial Theatre (201 7777). Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. The production is a recreation by Trevor Nunn and John Caird of their London original – complete with John Gunter's superb set and lighting.

Noh. National Noh Theatre (Wed at 1pm) (423 1331). *Hanjo (The Girl whose Lover Went Away)*, by the great 15th century noh master Zeami. Plus a kyogen comic interlude. Japan's most esoteric art form is not to everyone's taste, but everyone should see it at least once, since it is the world's oldest living form of drama of any importance.

FINANCIAL TIMES
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Wednesday August 2 1989

A policy for safer food

THE WHITE PAPER on Food Safety, published last week, has had a poor reception so far. It has been labelled complacent and self-congratulatory. Much has been made of the fact that only four pages, out of more than 60, detail the changes which the Government believes are necessary to cope with the diminished public confidence in food safety.

Any paper issued at the time of yet another well-publicised outbreak of salmonella was bound to be criticised in this way and, to an extent, the criticisms are justified. The white paper is less than honest. It fails to admit that many of the controls which the Government now trumpets as being among the best in the world – for example, on egg production or on listeria – are only there because of last winter's scares.

The Government's general attitude to the need for new food safety controls has until the last few months been dilatory; the white paper, and the legislation to be based on it in the next parliamentary session, are the result of a review which has dragged on for much of the last decade.

The important question, however, must be whether the measures it proposes are adequate to deal with today's problems. These problems are both technical and political. It is not necessary to agree with the more alarmist of the Government's critics to accept that there are new dangers posed by the enormous changes in the way our food is grown, processed and consumed compared to 30 years ago.

Animal remains

For example, the salmonella-in-eggs affair highlighted the potential dangers of feeding animal remains to other animals in intensive poultry operations. The current incidents of salmonella poisoning illustrate the care needed if raw meat is not to contaminate cooked or chilled foods.

Much of Britain's present food legislation originates in the 19th century and has not caught up with the changes: the white paper goes some way towards identifying the gaps, which an autumn food Bill will presumably try to close.

Broadly, the proposals are designed to ensure that the whole food chain is covered by legislative controls, though its impact will be greatest on food processors, wholesalers and retailers. The law will be amended to take account of technological developments like irradiation and genetic manipulation. Government powers to supervise the food chain will also be extended.

The proposed measures would, for example, tighten controls over pesticide and other residues in food. They would allow suspect supplies to be withheld from the market while investigations took place. Whole batches of unfit food, rather than just samples, could be seized, while closure orders on suspect processing factories or food outlets could be more speedily applied. Ministers would also be given powers to issue emergency orders to deal with potentially serious problems such as accidental contamination.

Staff training

Another group of measures would insist on the registration of food stores and catering establishments and the training of food handlers.

These are sensible steps, as is the proposal to enforce stricter temperature controls on the storage and distribution of refrigerated food.

The trouble with the white paper is that it does not spell out in detail how these controls would be operated. That apparently is to await not only the food Bill but the detailed regulations that might flow from that legislation.

Yet there are many apparently technical points which must be resolved before the consumer will be better protected. One provision for example could have the perverse effect of requiring top multiple retailers to duplicate existing efficient safety controls.

Much more detailed information about the Government's intentions must be forthcoming over the next few months if consumer faith is to be restored in its commitment to safety. Such a restoration of faith may well also require institutional reform, including the establishment of an independent agency with overall responsibility for food safety.

Towards freer trade in steel

IN A PERFECT world of free trade, any decision by the US to renew the steel import quotas which have been in place since 1984 would be a retrograde step. Given the political constraints facing the Bush Administration, last week's announcement that they are to be extended for just 2½ years when they expire in September is a good deal better than it might have been; it reflects a more liberal approach to trade policy even though there are still pitfalls ahead.

A campaign promise to renew the quotas was part of the baggage that President Bush brought to the White House after last November's election. For several months a lively debate has raged in Washington over the terms under which they should be extended. Thanks to a concerted campaign by consumers, this has produced a decision in which the forthcoming period of protection will be shorter than before, the new quotas will be made flexible to allow speedy additional imports of material in short supply, and extra tonnage will be granted to countries committed to removing trade-distorting practices such as subsidies.

In theory this should pave the way for a complete removal of the quotas in March 1992, but producers, as well as many in Congress, are worried. They argue that 30 months is insufficient time to negotiate away unfair trade practices. The new quota period is also too short, they claim, to justify additional investment needed to complete the rationalisation process.

Heavy cost

Yet the very fact that the quotas are being renewed at all shows how little they have done over the last five years to help the US steel industry stand on its own feet. Instead they have cost consumers dear and lined the pockets of foreign exporters who have moved up market to increase added-value, squeezing traditional US mills out of more lucrative lines. The experience of steel quotas provides a classic example of the way in which voluntary restraint agreements (VRAs) distort markets by artificially inflating prices in the importing country, limiting rather than encouraging an industry's incentive to adjust.

Meanwhile, the frontal attack on foreign subsidisation which accompanied last week's announcement may well have been a necessary lubricant to help loosen the grip of VRAs on the US steel market, but it is uncertain where it will lead.

From the users' point of view subsidies on a product like steel are a positive boon: a foreign government is paying the cost of artificially reducing the price of an essential input. In the interest of undistorted trade, however, their elimination is a laudable objective. The risk is that the new US approach will encourage more bilateralism in its trade relations. It could also provide an excuse for extending import quotas yet again in 1992 because the Administration could argue that its trading partners have failed to rise to the challenge of removing subsidies.

Gatt forum

Last week's announcement created room for the foreign share of the US steel market to increase to 21 per cent from 18.4 per cent at present, with the extra tonnage allocated to countries practising open trade. Negotiations on an end to subsidies are to proceed on both a bilateral and a multilateral track, according to the US plan. The bilateral track will create a fresh opportunity for the US to be both judge and jury in deciding on the subjective question of what constitutes an unfair subsidy.

The best place to discuss removing distortions to trade in steel is a multilateral forum such as the General Agreement on Tariffs and Trade. By drawing on existing rules for countervailing duties and subsidies, Gatt could agree precise and comprehensive disciplines to which all involved in the steel trade would subscribe.

So long as care were taken to avoid sliding into a global cartel arrangement, this would have the welcome effect of drawing into the net not only the US industry itself, but also that of the European Community which, while decrying new US VRAs as unnecessary, continues to operate a quota system of its own.

The fear of one wrong move

Peter Riddell, Hugh Carnegy and Andrew Gowers look at the recurring hostage blight faced by US presidents


Mr Shamir and President Bush: conducting an always sensitive relationship

The statements delivered to media offices in Beirut on Monday afternoon were both chilling and matter-of-fact. But in announcing the "execution" of a US marine officer and threatening to kill another hostage, a shadowy collection of Lebanese Moslem groups once again demonstrated its capacity to create political waves far beyond the frontiers of the Middle East.

The apparent murder of Lieutenant Colonel William Higgins, a US marine officer kidnapped while on secondment to the United Nations Truce Supervision Organisation in southern Lebanon, has embroiled President George Bush in that most difficult of all foreign policy tests for a US leader – one involving the fate of American hostages in the Middle East. Now, unless the frantic diplomacy that was yesterday underway to resolve the issue succeeds, he could be confronted with the steady elimination of all eight remaining US hostages, and possibly the other Western captives in Lebanon, too.

Monday's "execution" announcement – which the kidnappers claimed was in retaliation for Israel's abduction of Sheikh Abdul Karim Obeid, a Lebanese Shia leader – has exacerbated existing political strains between the US and its Middle Eastern ally, Israel. And it has reawakened the long-standing debate in the West about dealing with Iran, just when it seemed as if that country's new leadership might be preparing to modify the late Ayatollah Khomeini's policy of exporting the Islamic revolution to his Shia co-religionists in Lebanon.

For Mr Bush, the stakes are particularly high. Previous hostage crises helped doom the presidency of Jimmy Carter and tarnished that of Ronald Reagan. No wonder that one Congressional leader commented after seeing Mr Bush late on Monday that he "has never been more troubled in his presidency than he has in this case."

It would be hard to overestimate the importance within the US of American hostages – whether those held by Iran in 1979-80 or since then by terrorist groups in Lebanon. For the past decade hostages have been a recurrent nightmare in American life. Even before yesterday a yellow ribbon was tied to the door of the west wing of the White House as a reminder of the embassy hostage crisis in Iran and now of the US hostages in Lebanon.

The hostage issue has not only been a crucial test for recent presidents but also a vivid symbol of the impotence of a superpower in the Middle Eastern quagmire.

The immediate American response has been a mixture of anger and frustration. The gruesome video of what is apparently Colonel Higgins's body has been shown repeatedly in the extensive television coverage. There have been plenty of demands for revenge and military retaliation. However, just as striking has been the awareness, particularly on the part of Congressmen with foreign affairs experience, that there are no easy options.

President Bush has reacted with characteristic caution, pointedly refusing to produce an instant response. There is a contrast with both the public agonising of Jimmy Carter and Ronald Reagan's frequent – though seldom implemented – threats of retaliation.

The problem for Mr Bush, as for Presidents Carter and Reagan before him, is that there are only two ways of dealing with such kidnappings and ultimata: through use of military force or through negotiation, whether direct or indirect. In both cases, the costs tend to be unacceptably high.

Mr Carter was humiliated when he tried the first, in the notorious Desert One rescue mission for US embassy hostages in Tehran.

President Reagan, always keener on direct action, retaliated against alleged Libyan terrorism by bombing Tripoli and Benghazi in 1986. And after the death of 241 American soldiers in the 1983 suicide bombing of the marine barracks in Beirut, he ordered the battleship New Jersey to bombard the Lebanese mountains – more in anger than with any specific aim in mind.

The Pentagon has a series of what are known as "ready strike" options, that is detailed plans for bombing or shelling specific targets. But US military actions in the Middle East have frequently backfired. A Navy bombing raid against Syrian anti-aircraft positions in Lebanon in December 1983 led to the loss of two planes.

The Hizbollah hostage-takers present an even more difficult conundrum. The US retains 21 warships, many of them with heavy firepower, in the Mediterranean. But there is no obvious target for military action.

Western intelligence on the whereabouts of the hostages and their tormentors has been notoriously defective in the past; those still alive are probably regularly moved, and it seems plausible that they are not all being kept in one place. The US and Israel are reported to have considered a joint rescue mission for the hostages in September 1985, but did not proceed because they could not locate the kidnappers' hideouts. Moreover, any precipitate action would be more likely to endanger the hostages' lives than to secure their freedom – to say nothing of the risk of heavy US or Lebanese civilian casualties.

The alternative – negotiating – may be partially successful but gives rise to other dangers, as President Reagan found when he violated his own Administration's policy of not dealing with terrorists in the Iran-Contra affair.

What President Bush – himself implicated to a still cloudy extent in Iran-Contra – was thus presented with when he took office was a policy of not taking direct action but hoping for an improvement in relations with Iran, seen as the principal key to the hostages' release. Indeed, after the ignominious exposure of Col Oliver North's activities, Mr Bush's predecessor had made strenuous efforts to play down the hostage issue with a view to diminishing the kidnappers' powers of extortion. Thus when Lt Col Higgins was seized in February 1988, reaction from Washington was stern but distinctly low-key.

Such a "do-little" policy would be uncomfortable for any US President. In the present circumstances, it is no longer tenable for Mr Bush. All options, including military retaliation, are apparently being considered by the President and his advisers.

Outside Lebanon itself, the US could act against states which sponsor or indirectly support groups holding hostages such as Hizbollah (the Party of God) – believed to be the umbrella for the proliferation of groups which issue hostage ultimata. That would turn the spotlight on Iran, which has had links with the Hizbollah since its ambassador to Damascus, Ali Akber Mohtashemi, acted as virtual midwife for the fundamentalist group in the early 1980s.

The problem here is that there is some doubt as to who in Iran now has influence over the kidnappers, and how much. As Mr Robert Gates, the president's deputy national security adviser and former number two at the Central Intelligence Agency, admitted on Monday, there has been considerable dispute about "just how close the connection is between Iran and the Hizbollah. There's clear evidence of influence. The question is the degree of control."

Mr Mohtashemi, now Interior Minister, was publicly inciting the kidnappers to take action against US and Israeli interests at the weekend.

But the newly-elected President, Ali Akbar Hashemi Rafsanjani, is seeking to consolidate his own power and has hinted that he wants a rapprochement with the West. The US may not want to do anything to disrupt such a process, especially at a time when it is worried about the improving relations between Iran and the Soviet Union.

Finally, and most delicate of all, is the question of US relations with Israel. The Israeli Government and most of the country's citizens apparently regarded the abduction of Sheikh Obeid as a daring and justifiable way of responding to hostage-taking by Hizbollah: an action, in short, of which Mr Reagan in his more gung-ho moments might have been proud.

But some US officials and Congressmen are annoyed that Israel did not consult Washington before staging its raid last Friday. Senator Robert Dole, the Republican Minority leader, was the most outspoken on Monday – though he softened his criticisms yesterday – in arguing that it would be "refreshing" if Israel for once assumed "a little more responsibility" for actions that could endanger American lives.

Similarly, Congressman Lee Hamilton, a highly respected Democrat and chairman of the House Middle East Committee, said, "we would like to see Israel bring us in. If we are going to be in on the crash landing, we would like to be in on the take-off."

Such statements appear to have caused considerable concern within the Israeli Government. Emphasis was quickly placed on identifying Israel's action with the West's fight against terrorism. Mr Yitzhak Shamir, the prime minister, stressed the "common interest between Israel and those countries, citizens of which are held hostage in Lebanon."

It did not seem to occur to Israeli leaders and public opinion that its action in capturing Sheikh Obeid might be regarded not as a heroic venture similar to its Entebbe Airport rescue of hijack victims, but as a dangerous foray into the murk of Lebanese faction fighting.

However, the public differences between the two allies in recent days have highlighted the philosophical distance that now separates Washington and Jerusalem, and in particular the way in which perceptions of Israel in the US are changing. The gulf that is slowly evolving between them is of a different order from the frequent spats they have had in the past – over Israel's invasion of Lebanon, for example, or tha Pollard spying affair.

This has not yet eroded the underlying strategic commitment hy tha US to Israel, symbolised hy the $3bn in annual aid provided by Washington.

But on a number of central issues, the patience of the Bush Administration with Israel has undoubtedly been wearing thin. Israel's attempts to crush the 20-month-old Palestinian uprising in the occupied West Bank and Gaza have not only isolated it in world opinion, hut also strained Washington's tolerance as Israel's main ally and defender.

"All kinds of landmines are going off all the time," said an American diplomat in Israel. "It's really wild out there. The UN alone is a nightmare."

The gap between Israel and the US is most clearly shown over the decision late last year by Washington to resume ties with the Palestine Liberation Organisation. Mr Shamir and Mr Moshe Arens, his foreign minister, implacable opponents of negotiating with the PLO, have repeatedly decried this dialogue as an obstacle to peace.

For its part, the US is convinced that Israel's peace proposals, based on elections leading to Palestinian self-rule in the territories and later negotiations for a final settlement, can only be pushed forward with PLO approval.

So far, this does not amount to anything approaching a serious estrangement. Over the kidnap affair, the Administration itself has been torn, refraining from criticising Israel publicly. Even Mr Bush's statement late on Monday night calling on all parties in the Middle East holding hostages to release them did not mention Israel by name, even though it was clearly directed at the Israeli Government. The US is once again looking to Israel to help defuse rather than exacerbate the situation.

But the message that it was partly Israel that plunged President Bush into his first hostage crisis will not quickly be forgotten.

OBSERVER

Buffett and Coke

■ A man who spent $700m on shares in one of Wall Street's largest securities firms just weeks before the October 1987 crash may not sound like one of North America's sharpest financial minds. So when the same individual revealed on Monday that his investment company might more than double its 6.75 per cent stake in Coca-Cola, other investors could have been forgiven for not rushing to call their brokers.

What made all the difference was the name of the billionaire in question. Now aged 59, for the last 33 years Warren Buffett has been based in Omaha, Nebraska, where his father was a stockbroker and Republican Congressman in the 1940s. In the last couple of decades, he has become a cult figure: a (mostly) brilliant stock-picker npon whose head the US business press heaps flattering epithets.

Berkshire Hathaway's exceptional record – its net worth has soared from $19.46 in 1964 to $2,975 last year – explains why Business Week once called him "America's pre-eminent investor."

Buffett talks rarely to the media, with tha exception of Carol Loomis, a veteran Fortune magazine journalist who, it is said, helps concoct the now famous annual letters to Berkshire Hathaway's shareholders in which he expounds his investment philosophy. His Coca-Cola move – and his $600m investment in Gillette two weeks ago – seem to fit the strategy that has made Berkshire Hathaway renowned.

Berkshire's financial engine-room is National Indemnity, a property/casualty insurance company Buffett bought in 1967. National Indemnity generated premium dollars which Berkshire Hathaway could redeploy in a few big shareholdings in companies Buffett thought undervalued. Of Berkshire Hathaway's $5.4bn investment portfolio in 1989, 53 per cent was made up of four large stakes in Capital Cities/ABC, Coca-Cola, Washington Post and GEICO, a Washington DC motor insurer.

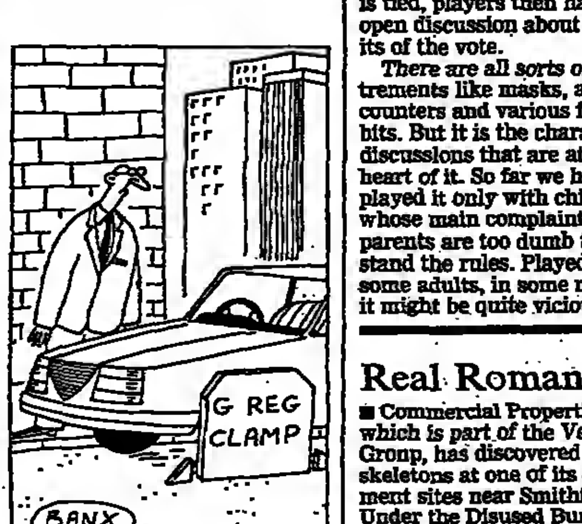
One reason for Buffett's good press is his distaste for corporate raiders. He learned his principles from Security Analysis, the 1930s investment textbook by Benjamin Graham, the man who popularised price-earnings multiples.

Buffett's policy is to look for companies with solid earnings records, and dominant or near-monopoly positions in their markets, with strong managements. When he finds them, he buys large friendly stakes, but has no interest in trying to "unbundle" them. Hence the glee with which managements react when Berkshire Hathaway appears in strength on their register.

Forward-looking

■ Odd how futurology went out of fashion. One theory is that it never recovered from the oil crisis in 1973, which showed how even the best of forecasts could go awry. There was also a sharp division between those who foresaw a hrave new world of technology, like Hermann Kahn, and the prophets of doom, lika the Club of Rome. None of them got it right, and perhaps no one ever gets the timing right. After 1973 most people lost confidence.

Yet maybe the future is coming back. The Royal Institute of International Affairs in London is organising a two-day conference in October on Exploring the Future: Trends and Discontinuities. The fee is £420 plus VAT. And the Policy Studies Institute, also in London, is working on a huge study: Britain in 2010. Given



the backing of various government departments, as well as the private sector, this could be the basis for much future planning. Unless, of course, there is another unforeseen event. And it is an intriguing thought that if the project had been begun five years ago, the environment would probably not have played much of a part in it. Now it will be one of the key factors.

Character test

■ Observer rarely takes to new games, what with the rules being so complicated and a conservative preference for games already invented like bridge and Scrabble. Waddingtons, however, might be on to a winner with First Impressions. The rules are complex but not impossible and, I suspect, do not greatly matter so long as you stick to the broad outline.

The game consists of cards with character descriptions. For instance: "Green grass – fresh, healthy, soft and pleasant. Could do with more variety." Some of them are much sharper. Players then vote on which of them the description most applies to. If the voting is tied, players then have an open discussion about the merits of the vote.

There are all sorts of accoutrements like masks, a board, counters and various fiddly bits. But it is the character discussions that are at the heart of it. So far we have played it only with children, whose main complaint is that parents are too dumb to understand the rules. Played with some adults, in some moods, it might be quite vicious.

Real Roman

■ Commercial Properties Ltd, which is part of the Vestey Group, has discovered human skeletons at one of its development sites near Smithfield. Under the Disused Burial Grounds (Amendment) Act 1981, the company is obliged to give due public notice before they are removed. A notice to this effect thus appears in the current City Recorder.

According to the Act, any personal representative or relative of the deceased persons involved may, if so minded, stop the development going ahead. Alternatively, they may apply directly to the Home Secretary to have the remains decently interred elsewhere.

But there is a proviso. The Act applies only to interments less than 50 years ago. Commercial Properties have no fears on that score at least. It seems that the remains they have discovered are Roman.

Junk mail

■ In the office yesterday an invitation to Asia's biggest printing and packaging show in Hong Kong. It comes from Teresa Junk. And a slim volume just published by Pergamon Press called The Risk Ranking Technique in Decision Making. Its co-author is John C. Chicken.

James Buxton on the difference of opinion in the whisky industry about the revival in demand

A cause for mild celebration

The official reopening of the Glenallachie distillery last month was not a day for drinking whisky. There was a suffocating heat haze on one of the hottest days north-east Scotland has seen for years and the bar in the marquee had no ice.

But in spite of the soporific atmosphere, the reopening of Glenallachie was still an event to celebrate. After nearly a decade of gloom in the Scotch whisky industry, output is going up again and more than six of the distilleries which went into mothballs in the past few years are being reopened to meet rising demand.

Glenallachie is at Aberlour in Banffshire on the river Spey, the lovely wooded valley along the famous salmon river around which nearly half Scotland's whisky distilleries are located. Though it has the customary pagoda-like ventilator over the still house and a large pond on which ducks play, it is not one of Scotland's prettiest distilleries, nor is it old: it was built in optimistic times in 1967 but never realised its full potential, and in 1985 was closed down by its then owners, Invergordon Distillers.

This year it was bought by Campbell Distillers, one of the smaller whisky companies, part of the French Pernod Ricard group, who are resuscitating it to meet their increased need for whisky.

Glenallachie is one of many distilleries which make a malt whisky which is later blended with other malts in complicated swaps with other producers to make blended whisky. Though like every distillery its whisky is unique, Glenallachie is humbler than famous plants such as Glenmorangie or Glenfiddich whose long-matured whiskies are marketed unblended as single malts and command a premium price.

The Scotch whisky industry is having a cautious revival. World consumption is rising, but only by about 2 per cent a year, with growth strongest in southern Europe and, potentially, the Far East. But the sharpness of the cuts in output in the early 1980s, when Distillers – now the Guinness subsidiary United Distillers (UDG) – alone closed or mothballed 21 distilleries, and the gradual draining of the loch of excess Scotch that had accumulated, plus limits on sales of whisky to other distillers by UDG, mean that several whisky companies fear a shortage of supply for their brands in a few years time. They have to plan ahead because whisky distilled now must mature for three years before it can be sold.

When Campbell decided to reopen Glenallachie the news spread fast across north-east Scotland. Mr Ian Mitchell, the distillery director who already runs the company's Aberlour distillery nearby, received no fewer than 286 applications for the 12 jobs he had to offer.

Although distilleries are one of the main industries in this part of Scotland few of them employ more than 15 or 20 people. They no longer malt their own barley, and after maturing in casks the whisky is sent for blending and bottling to plants in the Lowlands where most jobs in the industry are. The exception is Glenfiddich which bottles on site, in order to show visitors the complete production cycle, and which of all distilleries has gone furthest to become a tourist attraction, receiving 120,000 people last year. It has a summer payroll of 150, including 62 guides.

There are some people who question whether many more distilleries should be reopened

But the reopening of Glenallachie still means a modest boost for an area where farming is depressed and population is sparse. The rush for jobs there probably had as much to do with economic conditions (many of the applications were from people who already had jobs) than with the fact that a distillery job admits a person to a world of relatively high pay, the likelihood of stable, long-term employment in a small team and the prestige of producing a product with much mystique about it.

A skilled distillery worker can expect to earn up to £300 a week, compared with about £200 in most other manual jobs in the north-east. Staff turnover is low: Mr Mitchell has men at the Aberlour distillery who have worked there for 30 years. At the flourishing Glenmorangie distillery at Tain on the windy Dornoch Firth in Ross-shire, the offices are still cleaned by Alice Ross, who is 87, the spinster daughter of a man who worked at Glenmorangie for more than 70 years.

With much of the making of whisky taking place outside the Highlands, only two skilled manual functions are carried out at every distillery: that of the mashman, who mixes the malt with water in a process akin to brewing, and the stillman who controls the stills where the whisky is made.

"These are highly skilled, but routine jobs. It's up to the mashman to make sure that the temperature is right and that the grist (the crushed malt) has been milled to the correct consistency," says Mr Mitchell, while the stillman has to judge the right moment to take the distillation out of the still to be set aside as whisky.

At Glenmorangie, the manager, Mr Ian McGregor (with 42 years' service) says: "A whisky depends on five elements: the water it's made from, the peat used in drying off the malt (which is now done outside the distillery), the shape of the still, the decision of the stillman on when to take off the distillation, and the type of wooden cask in which the whisky matures."

In most other industries it is rare to shut down a plant and then reopen it, exactly as before, several years later. In whisky making, however, it is quite common; furthermore it is essential that the whisky produced now is exactly the same as that made years earlier. Mothballing, says Mr Mitchell, is mainly "a matter of draining out the liquid and leaving the mash tuns and stills dry."

To get the distillery back into operation just involves checking all the equipment for deterioration, replacing electric pumps that may have suffered from damp in the unheated air of a silent distillery, making sure that the water supply is pure, and so on. The recommissioning of Glenallachie cost only £250,000.

Glenallachie is not the only distillery reopening in the Spey valley. UDG recently reopened the mothballed Mannochmore distillery near Elgin, Morayshire, and after eight years on short time has all its working distilleries on full-time, though six are still mothballed. In June Allied Distillers, the whisky arm of Allied-Lyons, bought two Speyside distilleries from UDG and is bringing them back into production.

Though the number of new jobs created seems small in an area of 7 per cent unemployment, Mr Neil MacKerrow, managing director of Macdonald and Muir, which owns Glenmorangie, believes that every new distillery job creates four to five ancillary jobs, especially among local craftsmen, as well as providing demand for steel, wooden barrels and barley.

But despite the reopenings, which mean that about 90 malt distilleries are now operating or about to operate in Scotland, around 25 malt distilleries are still closed and some of those will never reopen. One, Dallas Dhu near Forres, Banffshire, once belonging to United Distillers, is now a museum of whisky distilling.

In addition, there are some people who question whether many more distilleries *should* be reopened, despite the difficulty of predicting demand in three or more years time. Malt distilleries are being taken out of mothballs while malt whisky production is still running at less than 70 per cent of secure secure capacity. UDG has no plans to reopen or sell any more. But is the stage being set by others for a recreation of the difficulties of the early and mid-1980s?

"The big fear is that we fall back into a cycle of over-production too quickly," says Mr MacKerrow. "The fundamentals of the market have probably not changed much. Global consumption is up but that's based on shipments. Real consumption is probably quite flat. Everyone knows that. But a lot of companies are inclined to say that, being the people we are, we'll outperform the market. We can't all outperform the market. The situation has to be viewed with caution."

But Mr Alan Gray, a whisky analyst with Campbell Neill, the Glasgow stockbrokers, says he is not worried about overproduction at the moment. "The cutbacks in the early 1980s were overdone," he says. Malt whisky output in 1988, at 335m litres of alcohol, was well below the all-time peak of 476m litres of 1974, or the 459m litres achieved in 1979. In 1988 output grew by 14 per cent.

"I would be worried if we expanded capacity dramatically every year, but a 20 per cent increase in annual output is acceptable. I would worry if it was going up by 30 to 50 per cent. It will be all right provided individual companies don't go haywire – and there's no reason why they should as they have been through it before." Not everyone shares his confidence.

Comecon and the Community

The Efta option for eastern Europe

By Holger Schmieding

The winds of change are blowing through Europe. In the eastern half of the divided continent, courageous members of the Council for Mutual Economic Assistance (Comecon) are striving to bring about reform of their autocratic political systems and their derelict command economies. In the West, the European Community (EC) is set to complete its single market by late 1992.

Both are ventures into the unknown; both hold out great promise. Unfortunately, few politicians have noticed so far that they may well be incompatible. While the variants of perestroika cannot succeed without closer links with western Europe, a misconceived 1992 may even deepen the economic division of the continent. There is, however, a way out: giving Comecon members a chance to join the European Free Trade Association (Efta).

A fortress EC would deal a severe blow to Comecon countries, as their level of development and their export structure are similar to those of the EC's poorer members. For three sound reasons, eastern European reformers are worried about an exclusive single market which stretches no further east than the River Elbe:

● When the remaining internal impediments to the free flow of goods and services within the EC are abolished, producers from any member state will prevail over competitors from a third country even when the latter is more efficient.

● Some 70 per cent of the 1992 directives approved so far provide for harmonisation of national norms and regulations. Uniform norms, however, which are set from above without having passed the test of competition may easily be misused as barriers to trade.

● The worst thing that could happen to the (still) socialist countries in the East would be an EC "social dimension" with real clout. Any centralisation of social policy would raise direct and indirect labour costs in the Community's poorer countries. This would provoke irresistible demands for compensatory protection against cheaper imports from abroad of labour-intensive goods.

West Europeans do not have to look back far into their own history to see the damage that a policy of regional trade preferences can do to neighbours outside. In its first 15 years, between 1958 and 1972, the EC consisted of six countries only; the other west European states (some of which grouped together in Efta) were excluded or decided to stay outside for political reasons.

The consequences were severe. West Germany's imports from the seven founding Efta members amounted to 69 per cent of what the Federal Republic bought from its five EC partners in 1959. But this share declined to a mere 28 per cent in 1972. France, within the EC, enjoyed an economic miracle in the 1960s, while the excluded UK fell victim to a chronic "British disease." Fortunately, the EC-Efta rift lost much of its economic significance in 1973, when those Efta members wishing to join the EC (the UK and Denmark) were admitted and the others were granted free trade agreements for manufactures.

The experience of 1973 provides a useful precedent for a strategy to allow reform-minded east European countries to enjoy the gains of the single market. Direct entry of Comecon countries to an EC with far-reaching, if ill-defined, political ambitions is out of bounds for the time being. But these states could join an Efta unburdened by politics.

If Efta membership were the key to free access to the entire west European market, the Efta option would be almost irresistible for countries like Hungary, Poland and perhaps others. To combine 1992 with perestroika, both the EC and Efta need to prepare the guidelines today:

● The existing EC-Efta free trade agreements for manufactures need to be extended to the free movement of capital and labour.

● EC integration should proceed via a mutual recognition of national practices, not by harmful harmonisation.

● The EC should apply mutual recognition of national practices to Efta countries on the basis of reciprocity.

● The EC should agree to extend all these agreements automatically to any country which joins Efta in the future.

From its side, Efta should fix clear rules setting down the degree of economic reform needed to make east European countries eligible for membership. Currency convertibility, freeing of prices for tradable goods, and an end to bureaucratic discrimination between domestic and foreign producers should be minimal conditions. These do not go beyond what pioneers of perestroika already envisage.

If prospects of less red tape and free access to west European markets were fixed by treaty, eastern Europe would be bound to become a favourite location for foreign investment. The eastern reformers could thus cushion the inevitable adjustment crisis with imports financed abroad.

The more the citizens of eastern Europe are allowed to heed market signals and to sell the fruits of their efforts on the western side of the River Elbe, the less they will feel compelled to offer their labour services directly to the West. It is not a coincidence that the pronounced fall in West Germany's trade with European Comecon countries after 1984 preceded a dramatic swelling in the influx of east Europeans emigrating to the Federal Republic.

The Efta option would thus give additional impetus to positive change in eastern Europe. The West would benefit from tapping the immense, dormant potential for the mutually advantageous division of labour among close neighbours. This would give an opportunity for welfare gains perhaps comparable to the "economic miracle" which the Federal Republic enjoyed in the 1950s and 1960s as Germany switched from a policy of economic autarchy under the Nazis to one of opening markets *vis-à-vis* the West. The Efta option for Comecon is a prospect which economic policy-makers should be examining with interest – for the good of both East and West.

The author is research economist at Kiel Institute of World Economics.

LETTERS

'Germany has widened the gap'

From Mr Bill Jordan.

Sir, I am surprised that Dr Dieter Kirchner of the German Metal Industry Employers' Federation (Letters, July 24) chooses to cite low economic growth and lower wages as consequences of the reduction of working hours in German engineering.

If we use OECD figures to compare German performance before and after the 1985 reduction in working hours, German growth is twice that of Britain. In other words, Germany has widened the gap with us since it reduced working hours.

Similarly, the evidence shows that real wages in Germany rose more immediately after the reduction in hours than at any time during the previous 15 years, suggesting that Germany has afforded its reductions in working hours, maintained the highest real wages in the EC and continued to grow economically – both in absolute and relative terms.

But I am pleased that Dr Kirchner adds validity to my claim that reduced working hours will force companies to introduce more technology and consequently improve productivity.

Perhaps his interesting intervention has been triggered by concern over potential British productivity improvements, but perhaps also by seeing the outrageous salary increases awarded by his British counterparts to themselves, much to the embarrassment and annoyance of the Government.

The employers' case for keeping people at work for an additional few hours a week is the weaker when one considers the growth and profitability of the many high-technology areas of industry, where 35 hours is the norm.

Could one reason be that those with proven skills are increasingly attracted to those industries which work the modern 35-hour week, leaving proper time for leisure and a full weekend for family pursuits?

We shall all be watching the demand for engineering jobs, by school and college leavers, with particular interest this summer.

Bill Jordan,
President, The Amalgamated Engineering Union,
110 Peckham Road, SE15

Inflation control

From Mr Peter Warburton.

Sir, Mr Frank Blackaby's article (July 26) contains some extraordinary interpretations of recent events. As a standard-bearer of the bankrupt post-war economic orthodoxy, abandoned by politicians of the left and right, he should surely rejoice that bad predictions are quickly forgotten. The National Institute, of which he is a former deputy director, was convinced that economic growth would peter out in 1984. Anticipating a "hard landing" for so long, he is clearly determined not to miss it.

The roots of our grim economic outlook do not lie in the rigid application of a misguided policy.

Rather they lie in failure to remove responsibility for inflation control from the political arena. In the absence of a fixed exchange rate discipline, far too much discretion over the price level and the currency rests in the hands of politicians.

Whether the inflation originates primarily from a relaxation of fiscal or monetary policy is irrelevant; the temptation to over-stimulate the economy has proved irresistible.

Sadly, Mr Blackaby still prefers to conduct his analysis of the economy without reference to credit, money or finance.

Peter Warburton,
Robert Fleming and Co,
25 Copthall Avenue, EC2

Responses to terrorism

From Mr Shneor Z. Jaffe.

Sir, With respect, your analysis of the Israeli attitude, in the matter of Lt Col W. Higgins's execution by the Hizbollah (Leader, August 1), is – in my judgment – erroneous.

In the past, Israel sought every possible means to have its soldiers released. More: it helped the US in its efforts to "buy" its hostages (during the Iran-Contra affair). All efforts failed.

Your leader writer says: "A world power cannot be expected to allow an officer wearing its uniform to be killed in cold blood with impunity."

Indeed? Was anybody punished after the humiliation of the US embassy crises in Tehran? Who bore the consequences of the murder of the US ambassador in Khartoum? Did the US Government retaliate after "an officer wearing its uniform" was murdered during the TWA crisis in Lebanon?

British citizens have been captive in Lebanon since 1986. Mr Terry Waite vanished in January 1987. Has the UK succeeded in gaining his release?

Israel has a different record. Its uncompromised war against terrorism had its painful moments but also its glories – the rescue operation at Entebbe, to name one.

The formula is simple. As long as terrorists hope to take hostages and derive consideration or negotiation, terrorism will survive. If they knew that the only negotiation would be retaliation and punishment they would stop. In this matter the civilised world must unite or lose. There is no third option but to bow to terrorism.

Shneor Z. Jaffe,
31 Ramban Street,
Jerusalem, Israel

Road congestion: the takeaway syndrome

From Mr D.J. Bunting.

Sir, In recent months a dim consciousness has been spreading in fashionable opinion circles to the effect that expenditure on new roads calls forth its own congestion. The time has come to examine the phenomenon more rigorously.

In the American mid-west space is not at a premium. At the drop of a hat local citizens will jump in their cars and drive five miles down the road to pick up a takeaway. This shows in the structure of mid-western towns, where aspiring hamburger joints, motels and gas stations simply tack themselves onto the end of the strip, which extends miles out into the desert.

Car owners in Surrey do not traditionally behave in the same manner. However, when the UK Government lays on a magnificent four-lane highway on the doorstep, then the Surrey motorist does indeed fall in line with the "takeaway syndrome." It matters not to him that the traffic moves only at 15 miles an hour, because he is only travelling five miles. Consequently, long-distance traffic round the whole length of the new trunk route is reduced to the speed of local suburban streets.

In the light of market economics it is obvious why the benefits of a important national infrastructure project are being thus frittered away. At enormous expense to the taxpayer the Government is providing a vital public asset, the charges for which are unconnected with usage. In contrast, if I wish to use public assets such as trains or buses I am obliged to pay *pro rata* at the point of use.

The results would be somewhat similar if, in the cause of improved business communications, the Government were to lay on free Concorde flights to New York.

As a matter of fact, I have always considered the takeaways in New York to be greatly superior to those available here in the UK. There again, I recall the example of Elvis Presley – a man of virtually infinite wealth, to whom normal market forces did not apply. Elvis was known to board an aircraft and fly from Memphis to Denver in order to obtain his favourite peanut butter sandwiches.

D.J. Bunting
4 Muirdown Avenue, SW14

'Yours, pedalling . . .'

From Mr Peter Bottomley MP.

Sir, As I shuffle off before VeloCity, the next worldwide meeting about urban cycle planning, this may be the chance to guide James Brandon ("Bicycling as part of transport policy," Letters, July 22) to Cambridge, to see a bicycle bridge rising across 16 railway tracks.

Having been here for three and a half years considering roads and casualties, it is tedious to re-read that the Department of Transport's *answer to everything* is a new or better road. Were my words at the last VeloCity unheard?

Yours, pedalling,
Peter Bottomley,
Department of Transport,
2 Marsham Street, SW1

FINANCIAL TIMES
Wednesday August 2 1989

UK dock strike ends in ignominious defeat for union

By Charles Leadbeater, Labour Editor, in London

BRITAIN'S three-week long national dock strike was called off last night in a move that represented an ignominious defeat for the country's largest union.

The decision followed returns to work in many ports which left striking dockers in a minority.

The end of the strike paves the way for a radical restructuring of the industry, in line with the transformation of the steel, coal and print industries following bitterly fought disputes in the 1980s.

The left-wing controlled general executive of the Transport and General Workers Union voted to recommend an immediate return to work by the 2,745 dockers still on strike at 20 ports. About 3,600 dockers were working normally by yesterday, while 2,812 had been made redundant or left the industry voluntarily.

The decision was angrily attacked by Liverpool and London dockers who harangued union chiefs as they left their central London headquarters. The union executive endorsed a recommendation by Mr Ron Todd, the union's general secretary, to pursue local agreements to replace the abolished National Dock Labour Scheme, which regulated work in most of the industry from 1947 until its abolition earlier this month.

Port employers have been pressing the union to abandon hopes of a winning a new national agreement and to enter local talks since the Government announced plans to abolish the scheme earlier this year.

The employers will now take the initiative by introducing new technology and far reaching changes to working practice in British ports.

Mr Todd, said the union's priority was to win reinstatement for 140 dockers, including 16 shop stewards, made compulsorily redundant at Tilbury near London.

The union is seeking a meeting with the Port of London Authority, possibly through Acas, the conciliation service, to discuss the situation at Tilbury, including the company's move to derecognise the union.

The union will also be drawing up guidelines for local negotiations in the 61 ports formerly covered by the scheme and those which were never included, which account for almost half Britain's trade by volume.

Senior union officials had hoped the strike would unify the TGWU which has become riven by political infighting. However, the decision to recommend a return to work will fuel criticism of Mr Todd's leadership, especially after his call on Friday for the strike to be intensified.

The turning point in the dispute was the return to work by 550 dockers at Tilbury following the Port of London Authority's warning that they would be dismissed.

The return to work at Tilbury was followed on Monday by the return of more than 1,000 dockers at Southampton, Hull and several smaller ports.

Mr Nicholas Finney, the National Association of Port Employers' director said the decision was sensible.

Mr Norman Fowler, the Employment Secretary predicted the end of the strike, following the abolition of the scheme would open the way for investment and modernisation to allow British ports to compete effectively with their Continental rivals.

Italy changes guard but policies march on

John Wyles expects Giulio Andreotti to change details but not the whole picture

GOVERNMENTS come and go with astonishing frequency in Italy, but policy rarely lurches off in a completely different direction after a change of prime minister.

Mr Giulio Andreotti's coalition, fortified at the weekend by its necessary votes of confidence, will maintain this traditional continuity, even though its economic and industrial policies may well feature some important changes of detail.

These will emerge in the coming weeks as Mr Andreotti and his ministers face up to tricky questions of short-term economic policy and budget strategy.

These cannot be so easily evaded as some industrial issues such as the re-organisation of public sector industries and appointments to top banking jobs which have been long stalled by political feuding between the five governing parties.

Mr Guido Carli's appointment as Treasury Minister has aroused expectations that were never attached to his two young and relatively inexperienced predecessors, Mr Giuliano Amato and Mr Giovanni Goria.

Now 75, Mr Carli is a former Governor of the Bank of Italy with considerable prestige at home and abroad who has never ceased to broadcast his firm views on the conduct of economic policy.

However, while a Senator elected on the Christian Democrat list, his political instincts are not as finely honed as those of his colleagues and he is already having to adjust his ambitions accordingly.

He had hoped at the end of last week to produce a policy statement on budget strategy which would have committed the government to achieving a surplus of revenues over current spending by 1991.

This would have brought forward by a year the objective of the so-called "Amato Plan" for stabilising, and then reducing public debt from a forecast peak of around 106 per cent of gross domestic product in 1992.

However, Mr Carli's Socialist colleague at the Ministry of Finance, Mr Rino Formica, stepped in to curb the Senator's zeal, feeling no doubt that the Government should not court too much unpopularity before local elections next year.

As a result, the Government document asserted vaguely that moves towards the 1992 objective "should be strengthened."

This leaves the strategy pretty much as before, and the required medicine needing to be increasingly harsh as so little progress has been made this year towards fulfilling it. Last week's government statement talks of raising tax pressure as a proportion of GDP by 1.5 points from 1990 to 1992 and, naturally, of bringing public expenditure under sharper control.

If Mr Carli is to meet the Amato Plan's deficit target of L133,000bn ($99bn) for next year, he and his colleagues will have agree a manoeuvre which cuts the trend deficit by around L17,000bn.

This is a tall order for any Italian government averse to inflicting pain on its electorate. However, Mr Carli is seeking to strengthen the case by arguing that the requirement for budgetary austerity is now supported by counter-cyclical requirements — namely, the Italian economy is overheating and needs to be cooled.

His statement at the end of last week recognised that monetary policy alone offered little room for manoeuvre in the face of an annual inflation rate of around 7 per cent, growth in bank credit of around 21 per cent and a trade deficit which could easily be 60 per cent higher than last year's L12,800bn.

Italian interest rates are second only to the UK's in altitude and any further increase is highly inimical to the budget strategy. Interest payments this year will reach around L106,000bn out of a total forecast deficit of L130,000bn.

But a 1 percentage point rise in interest rates will "very quickly" add L10,000bn to the deficit, said the Government statement.

The Treasury Minister appears anxious to bring in some kind of package for cooling demand before the end of September. His problem will be to find a combination of measures which will slow activity without raising inflation.

On the industrial front, it remains to be seen whether this Government is seriously committed to pushing through anti-trust legislation which has been passed by the Senate but which has made very little progress in the lower house. One seed of doubt has been planted by Mr Carli's appointment because he is opposed to the clauses in the bill which would limit industrial companies' participation in banking to 20 per cent of a bank's equity.

Elsewhere, much remains to be settled by bargaining between the coalition parties, principally the Christian Democrats and the Socialists who are in a constant squabble over how to share out public sector jobs and remodel public industries.

The mandates of the two professors, Romano Prodi as president of Iri, and Franco Reviglio at Eni, the state oil company, expire in October and a great deal rides both actually and symbolically on the choice of their successors.

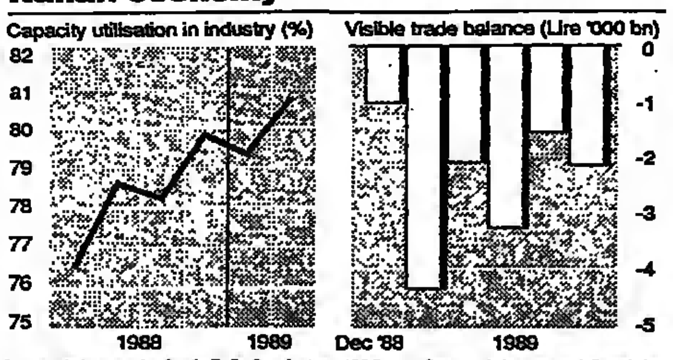
Both have brought their organisations back into profit and both have introduced long absent professional, managerial values. If their replacements are chosen more for party affiliations than for managerial abilities, then the clock will have been turned back dangerously. Mr Prodi's successor will be nominated by the Christian Democrats and an early front runner is Mr Franco Viezzoli, president of Enel, the State electricity company. Mr Reviglio could well be renominated by the Socialist Party.

Responsibility in the Andreotti Government for state industries remains with Mr Carlo Fracanzani, who was Minister for State Shareholdings in the last coalition. Disagreement between the two main parties has prevented him from taking any real initiative over the past year on proposals which would re-organise public companies operating in railway equipment, food, electronics and aero engines.

In his speech to Parliament last week, Mr Andreotti acknowledged that time was running out for Italy and that essential economic and public sector reforms had to be made if the country was to be in any reasonable shape to face the European Community's single market.

This has been a constant political refrain for the last 18 months, with very little action to match the rhetoric. Increasingly, the main challenge facing this government's appears to be the need to halt the fading credibility of the entire Italian political system.

Italian economy

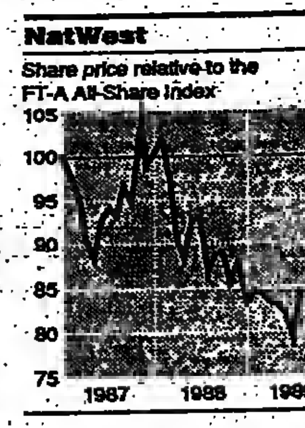


Source: Istituto per Lo Studio Della Congiuntura (ISCO) Source: Istituto centrali di statistica

THE LEX COLUMN

Slow speed ahead at NatWest

The UK clearing banks are dealing with their second round of provisioning against Third World loans in a variety of ways which will no doubt cause some heartache in the Inland Revenue, if not the Bank of England. NatWest's decision to strengthen its balance sheet by making a £395m specific provision seems more straightforward than Lloyds' mixture of specific and general provisions, since the latter's problem loan coverage only rises to 47 per cent if the general provision becomes specific and tax relief is obtained.



That said, it is clear that all of the UK banks are now moving towards providing against around half of their Third World loans. Yesterday's dip in the Midland share price comes as no surprise, given its continuing heavy exposure in this area. The other general message from yesterday's half yearly figures from NatWest is the sharp increase in provisions for non-LDC loans. Adjusting for this, NatWest's underlying profit growth in the first half is not 13 per cent but 5 per cent. The performance looks even more pedestrian if account is taken of the extra £48m of foreign exchange profits and a similar sort of profit swing in investment banking, where a £25m profit on the sale of the group's stake in NFC helped disguise continuing losses on the securities business.

The golden days of UK retail banking are over. In this respect NatWest's performance is no worse than the rest, and the improvement in its cost/income ratio is encouraging. However, the longer-term question of the ability of a shell-shocked management team to maintain the group's momentum and regain the initiative from Barclays is the number one problem of the incoming chairman. The first priority is to bring in some strong and independent outside directors, a fact emphasised by the resignation yesterday of Sir Peter Walters.

Invisibles

Before axe-grinders either at Westminster or in the Square Mile leap to too many conclusions about 1988's 15 per cent drop in the City's invisible earnings, they should look at the the small print in a more than usually baffling collection of data. Take just two examples - the knock-on effect on banks of Third World debt provisioning in 1987, and the unusually dire state of the London insurance market last year - and the City looks rather healthier than the fall in invisibles suggests.

Two years ago, London offices of foreign banks remitted only £66m in profit to their overseas owners, presumably because they were bolstering reserves. In 1988 they remitted £694m: but since yesterday's Pink Book figures count this as a debit against the City's account, it knocks £628m off the overall invisible earnings figure. As for insurance companies and Lloyd's, premiums and investment income exceeded claims by only £3.77bn, as against £4.66bn in 1987. Characteristically, no explanation for this is forthcoming from Lloyd's; but it is a fair bet the main reason was the world's largest single insured loss, Piper Alpha.

This is not an argument for complacency about the City's world market share. But the Pink Book figures are altogether too provisional and ambiguous to say anything definite about the matter. A set of data which lumps together under one heading businesses as different as foreign exchange trading and stockbroking, and contains no separate category for the Euromarkets, hardly inspires confidence.

Accountants

The speed with which the accountancy profession is changing shape might well prompt the users of accounts to ask themselves what is in it for them. The UK profession seems on the verge of accepting outside shareholders, presumably as a means of attracting more equity to fund global ambitions. As with the recent spate of mergers, it is not quite clear how this serves the interest of the client. And while it seems fair that as monopoly practitioners, auditors should be required to make some of the proceeds accessible to others, it may be asked who would want a stake under the conditions proposed.

If, as seems likely, outside shareholders are to be strictly defined, their holdings will be correspondingly illiquid. And while it is an excellent thing in principle for outside shareholders to have a vote, it may be asked how much weight they would have against a three quarters majority. The big firms would doubtless argue that unless they have access to fresh equity, their investment in new technology might leave them overgeared. But if the profession is really moving that fast, outsiders might think twice before committing themselves to the position of powerless minorities.

BBA

The market does not like the side of BBA that looks like a conglomerate, but then it likes the bit that looks like a car part manufacturer even less. However, yesterday's results show that on both counts investors are worrying unduly. The warning from Lex Service on Monday that the UK car market is finally about to turn down has less than catastrophic implications for BBA, as only half its profits come from cars, and barely a third of those from the UK. In any case margin improvements will compensate for a fall in volume in the short term, and after that the big Japanese-induced car boom begins. BBA should perhaps not be re-rated on the basis of joint ventures it has not yet made, but given the opportunities it will be hard to make nothing of them.

Meanwhile, the company seems to have landed itself a good spread of business, even if luck played a big part in the design. Soaring aviation profits alone justify the Guthrie deal, which looked so haphazard a year ago, and getting the industrial bits of Guthrie into better shape should supply further earnings growth until it is time for the next deal. Mercifully for the market, BBA seems to have kicked the habit of a big annual acquisition, pending a stronger balance sheet. And until then, earnings growth should more than match the industrial average - say 15 per cent this year and 10 per cent next - performance which may deserve better than a 15 per cent discount to the market.

Batty game excites international passion

By Philip Coggan in London

CRICKET, the game of straight bats and stiff upper lips that is supposed to epitomise the Anglo-Saxon character, once more became the centre of political turmoil in Britain yesterday.

Sixteen of the country's top players revealed that they were to make two tours to South Africa, backed by the South African Cricket Union. The news provoked instant condemnation from anti-apartheid activists, caused the opposition Labour Party to call for an inquiry and raised the prospect of action against British sportsmen at other events, notably the Commonwealth Games in Auckland, New Zealand, next year.

Only last winter, an England tour of India was abandoned after the Indian Government objected to the South African links of some of England's cricketers. Eventually, the cricket authorities agreed that players visiting South Africa in future would face a five year ban from international games.

But the prospect of a ban has obviously not deterred the rebel 16, who are each being offered a rumoured £100,000 ($165,000) for two short tours. By visiting South Africa, the players will also avoid an official England winter tour of the West Indies, whose fearsome fast bowlers deliver the ball, often at head height, at close to 100 miles per hour.

South African sporting authorities have consistently tried to circumvent a world-wide sporting boycott by luring overseas athletes with lucrative contracts.

British sportsmen have proved amongst the easiest to lure, provoking much criticism of the Thatcher administration from other governments. The issue is sure to surface at the Commonwealth Heads of Government meeting in Kuala Lumpur in October.

Yesterday, Mr Colin Moynihan, British Minister of Sport, said that "My message to any cricketer is not to go to South Africa whatever the money. The implications, if they do tour, go far beyond cricket. All British sports could be hit as well as the Commonwealth Games in Auckland next year."

However, the Anti-Apartheid Movement called on the Prime Minister to make a personal message against the tour and to take action against the cricketing authorities. The Labour Party called for a "thorough and immediate inquiry" into the way the South Africans were able to approach the players.

Ironically, the players involved have perhaps the worst record ever of English international cricketers. Yesterday, the national side lost a game — and thereby a series of "Test" matches — to Australia.

The depths of farce were reached last year when rebel tour leader Mike Gatting lost his job as England captain after newspaper stories linking him with a barmaid. No wonder few outside the Commonwealth can understand the game.

Arafat says US delaying peace 'deliberately'

Continued from Page 1

sions.

In the last two months the PLO seemed to be moving towards a conciliatory formula which would include elections as a procedural step within a comprehensive peace process. However, Mr Arafat dismissed the Israeli proposals on the grounds that they did not address the PLO.

"Shamir's proposals are not addressed to us but to Jordan and to what Shamir called the inhabitants of Judaea and Samaria," he said. "He did not refer to them as Palestinians."

Mr Arafat said he had received full reports on recent meetings between Mr Shamir and a number of Palestinian personalities in the occupied territories. He said the Palestinians were summoned by the military governor and were not engaged in pre-planned negotiations.

Mr Shamir had proposed "semi-independence" for the Palestinians, but had apparently ruled out Israeli withdrawal from the occupied territories. Mr Arafat said the minimum the PLO would accept would be a phased Israeli withdrawal.

The PLO leader strongly criticised a recent Congressional testimony by Mr John Kelly, the US Assistant Secretary of State for Near Eastern Affairs. "In his testimony Kelly completely ignored the Palestinian peace strategy and expressed support for Shamir's proposals which reject an Israeli withdrawal from the occupied territories, the convening of an International conference and Palestinian self-determination," he said.

The PLO had not received a separate plan from the US incorporating elections in a comprehensive peace process. "It has become obvious to us that the US is not in a hurry to push the peace process forward, it is playing for time, to allow Shamir to implement his objective of ending the intifada. We ask: is the US a moderator

Cambodia breakthrough

Continued from Page 1

obvious wish for a settlement by China and the Soviet Union, the main supporter of Vietnam.

The first committee, to be chaired by Canada and India, will try to draw up the terms of a ceasefire and the mandate of an international control mechanism to monitor its implementation, the withdrawal of foreign troops and the subsequent elections.

The second committee, chaired by Laos and Malaysia, will define the guarantees of Cambodia's independence, to be subscribed by the nations taking part in the conference.

The third, under the chairmanship of Japan and Australia, will discuss how to bring the hundreds of thousands of displaced Cambodians back home, and how to rebuild the country's shattered economy.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	26	79	Dubrovnik	F	26	79	Malta	S	32	90	Rhodes	S	29	84
Algiers	S	36	97	Edinburgh	F	18	64	Manchester	F	16	61	Rio de J'o	–	–	–
Amsterdam	S	17	63	Faro	S	32	90	Manila	C	30	86	Rome	S	27	81
Athens	S	30	86	Florence	R	23	73	Melbourne	C	12	54	Salzburg	R	12	54
Bahrain	S	39	102	Frankfurt	C	16	61	Mexico City	R	24	75	San Francisco	S	18	64
Bangkok	F	33	91	Funchal	C	24	75	Miami	S	27	81	Seoul	S	31	88
Barcelona	C	28	82	Geneva	C	17	63	Milan	S	25	77	Singapore	F	31	88
Beirut		–	–	Gibraltar	S	31	88	Montreal	S	19	66	Stockholm	C	17	63
Belfast	F	17	63	Glasgow	F	18	64	Moscow	F	26	79	Strasbourg	C	15	59
Belgrade	R	14	57	Guernsey	S	17	63	Munich	C	11	52	Sydney	F	14	57
Berlin	F	18	64	Helsinki	R	17	63	Nairobi	C	24	75	Taipei	C	31	88
Biarritz	S	22	72	H. Kong	C	28	82	Naples	F	29	84	Tangier	S	36	97
Bombay	F	29	84	Innsbruck	R	15	59	Nassau	C	31	88	Tel Aviv	C	29	84
Bordeaux	C	23	73	Inverness	C	14	57	New Delhi	F	31	88	Tenerife	S	27	81
Brussels	R	16	61	Islamabad	C	28	82	New York	C	28	82	Tokyo	R	24	75
Budapest	C	19	66	Istanbul	S	27	81	Nice	S	28	82	Toronto	S	18	64
B. Aires	F	14	57	Jakarta	C	34	93	Nicosia	S	30	86	Tunis	S	33	91
Cairo	S	33	91	Jersey	F	20	68	Oporto	S	33	91	Valencia	S	31	88
Cape Town	C	15	59	Jo'burg	S	18	64	Oslo	R	11	52	Venice	F	19	66
Caracas	C	28	82	Lima	C	19	66	Paris	F	21	70	Vienna	F	17	63
Casablanca	F	27	81	Lisbon	S	34	93	Peking	S	34	93	Warsaw	F	19	66
Chicago	C	18	64	London	F	19	66	Prague	R	12	54	Washington	C	21	70
Cologne	R	16	61	Los Angeles	S	18	64	Reykjavik	F	13	55	Zurich	F	14	57
Copenhagen	R	13	55	Luxembourg	C	16	61								
Corfu	S	28	82	Madrid	S	37	99								
Dallas		–	–	Majorca	S	31	88								
Dublin	C	18	64	Malaga	S	33	91								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Kiszczak short of votes

Continued from Page 1

of the Warsaw Government's request for aid totalling nearly $1bn for each of the next two years.

Gen Kiszczak, who as Interior Minister for the last eight years played a key role in enforcing and then lifting martial law restrictions, was backed for the Premiership by President Wojciech Jaruzelski and Communist Party chief Mr Mieczyslaw Rakowski.

But the parliamentary revolt against him made it doubtful whether he could win the necessary majority in the Sejm (lower house of parliament) despite the chamber's built-in 65 per cent majority for Communist and pro-Communist deputies.

Political uncertainty intensified further when Mr Rakowski, who is known to suffer from heart problems, paid a brief visit to hospital.

Earlier in the day, he and President Jaruzelski attended a Mass to mark the unveiling of a monument to the 1944 Warsaw uprising. It was the first time top Communist party officials had appeared at a church service since the late 1940s.

At the Brussels conference, European Commission officials reported a general consensus that money from the local sale of Western food (which Poland will get free) should be used to modernise Polish agriculture. It was also agreed that the aim should be to boost the country's private sector and support a structural reform programme to be agreed with the International Monetary Fund.

Three priorities, said Commission officials, were singled out - integration of Poland into the world trade system, if needs be by giving its exports better market access; increasing professional training, particularly in financial services; and encouragement for, and protection of, Western investment in the country.

Export insurance cover for Western exports to Poland should be restored in certain circumstances, Commission officials said, while Poland should sign up to international agreements on investment guarantees.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 2 1989

INSIDE

The blows rain down on NatWest

Blows continue to hit National Westminster, Britain's second largest clearing bank. Hard on the heels of the resignations prompted by its role in the Blue Arrow affair, the bank yesterday reported a sharp drop in first half earnings. The cause was higher provisions against Third World loans – a course already taken by Lloyds Bank last week. Nevertheless, Lord Boardman, the chairman, said NatWest's results were solid and the City mainly agreed. Page 26

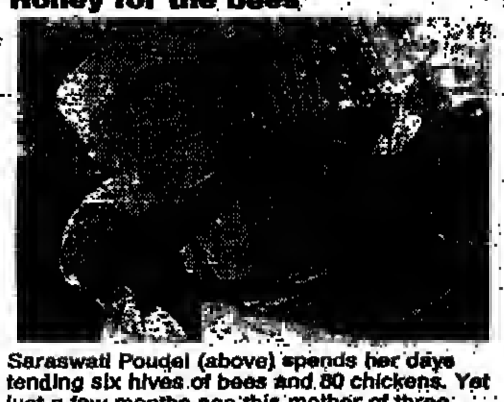
Making waves across the ocean

The conservatism of Algemene Bank Nederland is legendary. So it is not surprising that it attracted more than passing interest when last week it announced its largest ever foreign acquisition. The $420m cash takeover of Exchange Bancorp of the US opens an important new phase in the North American strategy of the Netherlands' biggest bank. It boosters the total US presence of the bank by a third to $13bn, marks an important additional thrust into the profitable middle-market banking sector and establishes a springboard for future US growth, writes David Brown. Page 20

Sending Lisa to the family farm

The US has spawned a new acronym: Lisa, standing for "low-input, sustainable agriculture". Lisa is an outgrowth of organic farming – a practice that until recently was seen as trendy and ridiculed among conventional farm groups. However, US farmers' increasing worries about finding a way to cut costs if they are to compete in world markets without government export subsidies and the condition of their once-rich soil and water supplies have created interest in it. Page 28

Honey for the bees



Saraswati Poudel (above) spends her days tending six hives of bees and 80 chickens. Yet just a few months ago this mother of three from a small village in Nepal had no stock at all. Before joining a small farmers development project started by the country's Agricultural Development Bank she was a housemaid who helped till other people's land. Page 28

Cautious look at compromise

The New Zealand stock market has taken a cautious stance on last week's "compromise" budget after rising strongly beforehand on unrealised hopes that it would contain economic give-aways. Having suffered one of the world's worst batterings in the 1987 crash, the market has seen a fragile confidence gradually return. Page 40

Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFr)		
Rises			**Rises**		
Aachener Muench	965	+ 25	CSEE	538	+ 25.1
Beiersdorf	597	+ 19	Havas	600	+ 29.4
Daimler-Benz	790	+ 32	Olipar (OP)	423.9	+ 25.3
Industriewerke	316	+ 10	**Falls**		
Muench Rueck	2700	+ 105	BHV	588	– 22.1
Falls			Metaleurop	181.6	– 6.6
Sud-Chemie	635	– 21	Thomson (FA)	1270	– 97

NEW YORK ($)			TOKYO (Yen)		
Rises			**Rises**		
IBM	116⅞	+ 1⅞	Hakone Tozan	2250	+ 210
Philip Morris	160⅝	+ 2⅛	Misi-Denki	1550	+ 130
Texaco	53⅞	+ ⅞	Shiroki	1240	+ 120
Falls			Tokyu Tourist	1800	+ 150
Dupont	113¼	– ½	**Falls**		
Exxon	35¼	– ⅜	Life Stores	2290	– 120
Texas Air	18⅛	– ⅞	Takashimaya	1500	– 88

New York prices at 12.30

LONDON (Pence)					
Rises			**Falls**		
BM Group	524	+ 19	Enterprise	610	– 12
Budgens	122	+ 9	Goldberg	171	– 7
Desoutter	445	+ 99	GUS 'A'	1096	– 22
Egan	216	+ 9	GRE	214	– 8
MIL Research	305	+ 41	Pearl	467	– 11
Menzies (J)	351	+ 7	RMC	455	– 9
Miller & Santhouse	188	+ 18	Racal Elec	431	– 7
Priest Marians	485	+ 27	Racal Tele	359	– 20
Reuters	872	+ 17	Rothschild (J)	476	– 29
S'Kline Beecham	508	+ 13	Royal Bk Scot	420	– 7
Falls			Taylor Woodrow	298	– 9
Ang Sec Homes	175	– 7	VG Insts	348	– 8
BAT Inds	854	– 13			

BAT to intervene against Hoylake's US lawsuit

By Anatole Kaletsky in New York and Nikki Tait in London

BAT INDUSTRIES, the UK tobacco-based conglomerate, has decided to intervene in the US lawsuits filed by Hoylake Investments, the bid vehicle for the consortium led by Sir James Goldsmith. The lawsuits were filed against the state insurance commissioners who regulate BAT's insurance subsidiary, Farmers Group.

Insurance Department spokespeople in California and Idaho said yesterday that they had been approached by Farmers, requesting permission to join the lawsuits as co-defendants. BAT confirmed in London that Farmers was applying to intervene in the litigation to represent the interests of its 12m policyholders in the US.

Meanwhile, in the UK, the Takeover Panel, Britain's watchdog on bid activity, is understood to have made the unusual move of asking Hoylake to refrain from buying BAT shares until the value of its offer is established more fully.

BAT 's intervention will bolster the insurance commissioners' defences against the Hoylake lawsuits, which could have a decisive impact on the Goldsmith group's £13bn ($21bn) bid for BAT. One insurance department official welcomed the intervention because it would bring "substantial resources in terms of time, money and legal counsel to our side of the case." Some US state insurance commissions operate on extremely tight budgets and may not have relished the prospect of battling with Hoylake's top-flight Wall Street lawyers over a constitutional issue with little significance to their local constituencies.

Hoylake must complete its offer within the timetable laid down by the London Stock Exchange Takeover Code. It has argued, in a series of lawsuits filed last Friday, that this timetable is incompatible with the state insurance commissions' demands for prior approval of any change of control at Farmers. Following BAT's intervention, Hoylake may argue to the Takeover Panel that BAT was trying to take advantage of the US legal system to frustrate a takeover which should be decided under UK law.

In a somewhat analogous case this year, the Takeover Panel required Consolidated Gold Fields to withdraw its US litigation against Minorco. But the US courts still ended up frustrating Minorco's bid for Gold Fields, in part because the Takeover Panel had no control over Newmont Mining, another party to the US suit.

In the Hoylake suit against the state insurance commissioners, the Goldsmith group's lawyers hope they can prevent a similar outcome because the US obstacles in this case are at the state, rather than Federal, level. The US constitution reserves to the Federal Government all powers to regulate interstate and international commerce. Therefore Hoylake's argument is that the state commissioners are acting unconstitutionally by interfering with an international takeover bid.

In the UK, the question of potential share-purchasing by Hoylake became more than academic yesterday as the BAT share price dipped below the 850p level for the first time since the offer was announced. It later recovered to close at 854p.

The fall below 850p was significant because, when Hoylake announced its offer, it claimed that the bid was worth 850p per BAT share. Normally, a bidder can buy shares (within certain limits) up to its offer price.

However, in this case, the Panel's request for restraint appeared to centre on the fact that the full details of the various pieces of Hoylake paper – one category of which can be exchanged into shares of Anglo, a UK quoted company – have yet to be disclosed, making precise valuation of its terms difficult.

Pavarotti meets Johnny Reggae

John Ridding looks at yesterday's purchase of Island Records by Polygram

David Fine's Polygram group has a line-up of recording artists including (clockwise): Dire Straits, Jessye Norman, Luciano Pavarotti and Leonard Bernstein. He is eager to maintain the services of Christopher Blackwell, who has attracted performers like The Christians, U2, Melissa Etheridge and Anthrax to his Island label.

Mr Christopher Blackwell, chief executive and founder of Island Records, has an ear for success.

From a one-man operation selling Caribbean dance records out of the back of a Mini-Cooper, his company has grown to the point where yesterday, 27 years after its establishment, it was sold to Polygram, one of the industry giants and a subsidiary of Philips, the Dutch electronics group, for a sum believed to be about £200m ($330m).

The sale will make Mr Blackwell, Island's founder and holder of 90 per cent of the equity, a rich man. But the acquisition of one of the most sought-after independent labels also marks the latest step in the consolidation of the world's $18bn recorded music industry as a handful of leading companies try to increase their range of artists and expand market shares.

Earlier this year, Thorn-EMI bought a 50 per cent stake in Chrysalis, the UK independent, and last year in the US MCA, along with an investment consortium, bought the famous Motown label of Detroit.

There is continuing speculation concerning A&M, one of the two major US independents, and Mr Blackwell said yesterday that he had himself "been approached by all of the major companies" prior to the deal with Polygram.

The Island label has a number of particular attractions.

Its signings include Robert Palmer, Grace Jones and Brian Ferry and it has a reputation in the industry for finding and developing new and lucrative artists.

Arguably its biggest asset is the rock group U2, whose album The Joshua Tree was one of the largest hits of 1987 with over 12m copies sold.

For Polygram, which currently holds about 15 per cent of the recorded music market, the addition of the 2-3 per cent held by Island will help buttress its position as the third largest in the industry.

It also greatly expands its popular music side. Although it currently has artists such as Dire Straits, Elton John and Bon Jovi on its label it has a greater emphasis on classical music. Its Dautsche Grammophon, Decca and Philips labels, for instance, hold about 45 per cent of the classical recorded music market.

Mr Blackwell himself is seem as a valuable asset. He started by exploiting a niche market in Caribbean music, with his Jamaican upbringing and background giving him access to forms of music which have become increasingly popular among audiences in the US and Europe.

This later enabled him to to sign Bob Marley and the Wailers, the most successful reggae band ever, though increasingly the company's profits – which have not been revealed – have derived from rock and soul music.

According to Mr David Fine, President of Polygram International, Mr Blackwell will keep his post of chief executive of Island records following the deal and will retain complete artistic autonomy.

He said: "In the fiercely competitive music scene it is valuable to have charismatic figures such as Chris to attract the right signings."

Mr Blackwell says be will be running Island exactly as before and that "I have spoken to all the artists and they are happy with the arrangements."

But despite Island's specific attractions the sale reflects a broader trend within the industry.

The big five record companies – CBS-Sony, WEA, Polygram, BMG, a subsidiary of Bertelsmann, the West German communications giant, and Thorn-EMI – account for about 70 per cent of world sales and are looking to expand market share through the acquisition of smaller and independent labels.

Virgin, the sixth largest record company with sales of about $400m is independent, and according to a spokesman yesterday, "has no plans to join one of the big five."

Part of the reason for the focus on acquisitions is that, while expensive, they are a quick and relatively certain way of expanding market share. The development of one's own new artists is a longer-term and more uncertain affair.

Equally important, however, seems to be the growing attraction of acquiring catalogues. The rights to publishing and manufacture have provided an increasingly important source of earnings since the introduction of higher margin compact discs and, following the international agreement earlier this month on digital audio tape equipment, there may soon be a new source of such earnings.

According to Mr Fine, catalogue sales now account for about 40 per cent of Polygram's total turnover of about $1.7bn, and that for the industry as a whole they have provided a more stable pattern of sales. Following yesterday's deal, household names such as Bob Marley, Robert Palmer and Fairport Convention will be added to Polygram's list.

For the larger independents, at least, linking up with a major company also holds considerable advantages.

As Mr Blackwell commented yesterday: "It is harder to operate an independent when it has grown to the size we have."

Part of the problem lies with meeting the promotional and management costs of the label's major signings.

The sale of Island, one of the most famous labels, is bound to raise fears of the decline of the independent record sector. After all, the independent's have been responsible for introducing many of the new musical trends over the last 30 years.

But Mr Blackwell believes that such fears are misplaced. "There will always be independents," be claims, "they are the lifeblood of the industry."

American Express to pay Safra $4m more

By Anatole Kaletsky in New York

AMERICAN Express said yesterday it would make a second charitable payment of $4m, in addition to the $4m announced last week, in settlement of its bizarre defamation dispute with Mr Edmond Safra, the Swiss private banker.

Disclosing the additional payment, a statement said that it was intended as "a gesture of goodwill," reflecting the legal expenses paid by Mr Safra in pursuing his original case against American Express.

Mr Safra had originally asked for the reimbursement of his legal expenses of about $4m. American Express, however, "felt that this would be inappropriate" and decided instead to contribute a further $4m to charities of Mr Safra's choosing.

The first payment of $4m, which was disclosed in an exchange of letters last week, was made as "an apology" to Mr Safra, who had alleged that individuals with links to American Express had spread slanderous rumours about his banks and their clients.

Mr Safra's Trade Development Bank was bought by American Express in 1983, but a few years later Mr Safra fell out with the New York-based financial and travel conglomerate's management and started a new private bank in Switzerland as part of Republic National Bank in New York, which he owns.

Mr Safra's new bank hired several key executives from American Express's international private banking operations, and this apparently provoked the allegations against him.

Eastman Kodak reports sharp drop in second-quarter profits

By James Buchan in New York

EASTMAN KODAK, which is battling with serious problems in its famous photography business, yesterday reported a sharp drop in profits for the second quarter. Operating profits declined for the second quarter in a row and Kodak also booked $850m in pre-tax charges to cover the costs of reorganising its businesses.

The poor profits report was not a surprise on Wall Street, after warnings from the company last week. Kodak stock fell modestly yesterday morning. But some analysts are worrying that unless the giant company can restore profitability in its basic business, it will have trouble reducing the heavy burden of debt it took on last year to diversify into drugs.

Mr Colby Chandler, chairman of the Rochester, New York, company, repeated yesterday that "strong steps are being taken to address the earnings shortfall". He said that the second half would see earnings improved to about the level of 1988.

Kodak, which is the world's largest maker of photographic products, said earnings fell in the June quarter to $60m, or 18 cents a share, down 85 per cent from the $390m, or $1.20 a share, of the 1988 second quarter. Leaving out the special restructuring charges, earnings fell 26 per cent to $287m, or 88 cents a share. Sales were up 9 per cent at $4.5bn.

For the first six months, earnings fell 60 per cent to $260m, or 80 cents a share, and 25 per cent to $487m, or $1.50 a share, before charges. Sales rose 13 per cent to $8.4bn.

The heart of Kodak's problem is its so-called imaging segment, where a strong dollar and tough competition from the Far East have prevented the company from raising prices in line with costs. Sales rose 9 per cent in the quarter to $1.77bn on volume gains, but operating earnings before restructuring charges fell 6 per cent to $341m.

In the information systems division, sales also rose – by 13 per cent to $989m – but operating earnings were just $6m before charges. In the health division, which includes Kodak's giant Sterling Drug acquisition, profits fell 33 per cent to $106m before charges on a 1 per cent rise in sales to $982m. Only in the cyclical chemicals business, where sales were 16 per cent ahead at $831m, could Kodak hold on to profits with a 12 per cent rise to $171m before charges.

McDonnell unit seeks UK listing

By Alan Cane in London

McDONNELL DOUGLAS, the US aerospace manufacturer, intends to turn its information systems unit into a UK public company early next year.

This will follow the sale, announced yesterday, of its computer networking activities to British Telecom and the planned disposal of its field service business.

The unit, McDonnell Douglas Information Systems International, is currently turning over about $300m (£180m) with pre-tax earnings in the region of $18m.

It will create a new and significant competitor in the UK computing services business, led at present by SD-Scicon, Thorn EMI, Logica, and Sema Group.

The unit is based at Hemel Hempstead, Hertfordshire. Of its total revenues in 1988, 53 per cent were derived from the UK, 27 per cent from the rest of Europe, 12 per cent from North America and eight per cent from the Pacific Rim.

McDonnell Douglas' US computer systems business will become part of the new UK company. Mr Jeremy Causley, currently president of McDonnell Douglas Information Systems Company is to become chief executive of the restructured UK venture and will initiate moves to take the company public.

He said yesterday that McDonnell Douglas would certainly sell more than 50 per cent of its interest in the company but that the precise percentage had not been determined.

No decision had been taken either on the likely distribution of shares between institutional and private investors. Mr Causley would not be drawn on a price, saying that the sale of the networking business to British Telecom had been management's chief preoccupation to date.

Mr Causley, an Englishman by birth, is credited with turning round the information systems company which had been losing money when he was appointed president in 1986.

He said yesterday that it had long been his ambition to lead a significant, publicly-quoted UK information technology company.

Moves by McDonnell Douglas to shed its information technology interests had been widely expected as it became clear that there was little synergy between them and its aerospace activities. It is, however, retaining its systems integration division, based in St Louis. Its geographic information systems and computer aided design activities will be transferred there.

INTERNATIONAL COMPANIES AND FINANCE

Kaufhof to take majority stake in Oppermann

By Andrew Fisher in Frankfurt

KAUFHOF, one of West Germany's biggest retail groups, intends to broaden its domestic base by taking a majority stake in Oppermann Versand, a large mail order supplier of promotional gifts, in a deal worth around DM300m (US$161m).

In the last few years, Kaufhof, which is controlled by the Swiss cash-and-carry concern, Metro, has diversified into consumer electronics and hi-fi, fashion and shoe retailing, while also upgrading its best department stores.

In buying 60 per cent of Oppermann, Kaufhof aims to extend its mail order activities in important EC markets. Oppermann, which came to the stock market with an issue of voting shares in October, has grown rapidly since its formation in 1980 and has built up operations in France and the UK, as well as in Germany.

No price was given for the deal. However, at yesterday's suspension price of DM628 a share, Oppermann has a stock market capitalisation of DM502m. Mr Jens Odewald, Kaufhof's chief executive, said yesterday that it did not intend to move above a 60 per cent shareholding.

"The deal fits into Kaufhof's strategy of expanding within the EC," said Mr Adrian Brundrett, an analyst with Bank in Liechtenstein (Frankfurt). "Oppermann grew up in Germany, but its thrust in the last two years has been outside its home base." In addition to selling promotional gifts, it operates a mail order service for the same articles.

The owner of the company, with 58 per cent of the shares, is Mr Jürgen Oppermann, who will step down as chief executive.

He said yesterday that Oppermann's turnover rose by 80 per cent in the first half of the year. Last year turnover totalled DM365m – up from DM233m. For this year, Mr Brundrett estimated Oppermann's earnings per share of DM29 against DM26 last year.

Swissair 'satisfied' with 33% earnings increase

By William Dullforce in Geneva

SWISSAIR achieved gross earnings of SFr215m ($134m) in the first half – a 33.5 per cent rise compared with the first six months of 1988.

The airline expressed satisfaction with the result in a letter to shareholders and said it regarded the future with optimism. The second half usually produces better results than the first.

Last year Swissair raised its dividend to SFr38 a share from SFr36 after reporting net earnings of SFr76m and a gross profit of SFr418m on a SFr4.3bn turnover.

The strong advance in the first half of 1989 was attributed to a favourable economic climate and to exchange rates which had a positive influence for the first time since 1985. The Swiss franc was unusually weak during the first six months but has since recovered.

The number of passengers carried increased by 7 per cent to 4.14m and the seat occupancy ratio improved from 60.9 per cent to 64.2 per cent.

Co-operation with Delta Airlines of the US, with which Swissair announced a cross purchase of shares last month, was proceeding as planned, the company said. The first steps were co-ordination of the reservation systems and timetables. Swissair and the Atlanta-based carrier are taking stakes of about 5 per cent in each other's capital.

Balair and CTA, the local airline and charter subsidiaries, showed good business development in the first half but the results of some hotels in which Swissair has stakes were unsatisfactory.

Virgin group sells unit to LA company

By Raymond Snoddy in London

THE VIRGIN group of the UK has sold its film and video distribution arm, Virgin Vision, to Management Company Entertainment Group of Los Angeles in a deal worth $83m.

Virgin, which retreated from the London Stock Exchange last year to become a private company again, will get an immediate cash sum of $55m, and will receive 5.45m shares in MCEG at a price of $3.45 a share. Virgin will own 22 per cent of the Nasdaq-quoted company, which is involved in film and video production and in the management of "entertainment talent."

The balance is accounted for by an $8m loan note. Mr Robert Devereux, chairman of Virgin Vision, will join the board of MCEG.

The deal was complicated by a strong counterbid by a European consortium advised from Geneva by Barrons Financial Services.

The cash element of the European consortium's offer was believed to be higher than the MCEG offer but Virgin found the overall package difficult to evaluate.

"They made an interesting offer but it came too late and it was not certain they could have closed it," said Mr Devereux, who signed the MCEG deal in New York on Monday evening.

Apart from welcome cash to offset the costs of taking the company private, the US deal gives Virgin a significant stake in the US market.

"MCEG should become a strong force in the industry," Mr Devereux said.

The US company is planning to produce several feature films this year.

The purchase will give MCEG access to Virgin's distribution operations in Europe, Australia and parts of Asia.

Since taking Virgin private Mr Richard Branson, founder of the company, has been considering a number of joint ventures and partnerships as a way forward for his company. The two main areas are the US and the Far East, particularly Japan.

ABN looks before it leaps in the US

David Brown on the rationale behind the Dutch bank's biggest foreign acquisition

MR Robertus Hazelhoff, chairman of Algemene Bank Nederland, is no cowboy of the banking world. Indeed, he is not afraid to stand behind the herd: what he calls "balanced growth" others might call obsessive caution.

The legendary conservatism of the Netherland's biggest bank guaranteed more than passing interest when it announced its largest foreign acquisition last week – the $420m cash takeover of Exchange Bancorp of the US.

The deal opens a new phase in ABN's North American strategy. It bolsters the bank's US presence by a third to US$13bn, marks an additional thrust into the profitable middle-market banking sector and establishes a springboard for future US growth.

The plan is for Exchange to be merged with ABN's Illinois subsidiary, La Salle National. The new bank will have a balance sheet of $6bn and 28 branch offices in the state of Illinois. Combined US operations – including Exchange, La Salle and ABN's separate branch network – will generate gross earnings (on a 1989 basis) of some Fl 280m ($132m), which is on a par with profits from Europe, excluding the Netherlands. The deal will increase the proportion of ABN's foreign earnings to more than 40 per cent of the group total.

"We now consider that we have achieved an adequate critical mass for our future evolutionary growth in the US," says Mr Hazelhoff. "We plan to build this into a sizeable, integrated bank that can offer all types of services."

PJ Kalff: negotiated the purchase of Exchange Bancorp

Mr P.J. Kalff, managing board member responsible for international banking and heir-apparent to the ABN chairmanship, says: "This prepares us for the day when full interstate banking is finally allowed in the US."

But why has ABN, whose guiding principle has been a balanced geographical and product-niche mix, chosen to acquire another bank in Illinois in the same middle market where it established itself through the acquisition of La Salle in the late 1970s and Lane Financial in 1987?

According to analysts, the takeover price, at a multiple of 2.4 times book value and 12.2 times projected 1989 net earnings, is well above the average paid for recent bank takeovers in Illinois.

"Even if we could legally have bought a bank in, say, New York or California, I seriously doubt we would have," says Mr Hazelhoff. "These states are overbanked, very competitive and expensive. Illinois is still a fragmented banking market, and its economy is growing faster than the national average. This way, we co-ordinate rather than spread our capital and management resources. The other option, buying a troubled institution, is obviously out of the question for us."

Mr Kalff, who negotiated the deal, adds: "We consider the price reasonable. It is a highly profitable bank." By merging it with La Salle he predicts "enormous economies of scale," with operating cost savings of between 5 and 10 per cent within a year.

In the Illinois league chart, the new company will rank well below banks such as First Chicago and Continental Illinois. But it will be one of the top three players in the state retail and middle market where, as Mr Kalff diplomatically points out, "We are in a position to charge more interesting interest and commission rates."

Mr Rodney Schwartz of Shearson, Lehman, Hutton in London broadly agrees: "La Salle was not that large to start with. The merger will generate important efficiencies of scale. The middle market is not only a good business, you could almost say it's the only growing business in banking right now."

For the immediate future, ABN sees no further large American acquisitions, although Mr Hazelhoff will not rule out buying "a smaller community bank," probably in the mid-West, if the opportunity arises. ABN's focus on the US stands in marked contrast to the European emphasis of its slightly smaller Dutch rival Amsterdam-Rotterdam Bank, which has long-term plans for an eventual merger with Générale Bank of Belgium.

"I would hesitate to pay the multiples that are now being demanded for banks in Europe," says Mr Hazelhoff. "Everybody is talking about Europe 1992, people are prepared to pay very high prices, and all this at a high point in the business cycle."

ABN is well positioned throughout Europe at present, with the exception of Germany – a "difficult market"; Italy – "too expensive"; and Sweden – "where we are just building up our presence."

In Europe ABN has begun to branch into investment banking. It has bought several small but profitable securities houses in Paris, Copenhagen, Dublin and, most recently, London. "We are eyeing some others," says Mr Kalff, indicating a preference for "second-tier" markets which are "more profitable than the very sophisticated, totally open ones.

"We would like to participate substantially in the mergers and acquisitions business to take advantage of the concentration phase of European industry."

ELSEWHERE, Mr Kalff says the bank plans to build up its private banking operations, particularly in the Far East where "there's an enormous concentration of wealth building up and the local banks are not geared to handle it."

But as for any further, major moves, none are on the horizon. As Mr Hazelhoff observes: "Our philosophy always has been never to buy something that is very big. In the eyes of the public, maybe that is not so exciting. But on the other hand, it gives you the great advantage of knowing exactly what you're getting into."

Continental in Portuguese joint venture

By John Griffiths and Diana Smith

CONTINENTAL, the world's fourth largest tyres group, is setting up a joint venture in Portugal which will give it manufacturing facilities in the Iberian peninsula for the first time.

The venture is with Mabor, the market leader in Portugal's fast-growing vehicle replacement tyres market.

Continental will have a 60 per cent stake and management control.

Mabor is to contribute its tyre-manufacturing facilities.

The partners intend to raise capacity from the current 6,300 tyres per day, of which 4,600 are passenger car tyres, to 18,000 radial car tyres a day in 1994.

Initially, the plant will continue to produce Mabor brand tyres for supply to Mabor's sales organisation, which will remain separate.

However, it is expected that after a first expansion stage has been completed in 1991, Continental-brand tyres will also be produced and sold in West European markets such as Spain.

The venture, which is due to become operational on January 1, involves a total investment of some DM230m ($122m) up to 1994.

Continental, like all the biggest tyre groups, is anxious to have manufacturing facilities in all major markets, particularly those where vehicle production is increasing, as is the case in Spain and Portugal. "The southern European flank has been secured – a long-planned objective," Mr Horst Urban, chairman of Continental's executive board, said yesterday. At present, Mabor exports Esc2.5bn ($15.9m) worth of tyres a year from an annual turnover of Esc10bn, but exports are due to increase to about Esc24bn when the joint venture is in full production.

Mabor is controlled by the Oporto-based Amorim group, which last year set up a Portuguese industrial holding company with the Italian businessman Mr Carlo de Benedetti. This company aims to back new or expanding Portuguese factories.

Hachette to sell office block for around FFr2bn

HACHETTE, the French publishing house, is to sell a central Paris office block for around FFr2bn ($314m), Reuter reports.

The building is the headquarters of Nouvelles Messageries de la Presse Parisienne (NMPP), a magazine and newspaper distributor 49 per cent-owned by Hachette.

The building, which will not be sold as a block, is expected to fetch between FFr50,000 and FFr60,000 per square metre. Total floor space is around 35,000 square metres.

INTERNATIONAL COMPANIES AND FINANCE

Molson advances 20% in spite of retailing tumble

By David Owen in Toronto

MOLSON, the Canadian beer, merchandising and chemicals group which recently merged its brewing assets with Elders IXL-owned Carling O'Keefe, yesterday reported a 20 per cent improvement in first-quarter profits.

The group achieved the much-improved performance in spite of a mediocre performanca from its retailing operations.

Operating profit from the group's retailing units slipped by 10 per cent overall. The deterioration was explained by a combination of poor April sales at Beaver Lumber outlets, and start-up and closure costs associated with other chains.

In all, net earnings for the period totalled C$35.8m (US$30.3m) or C$1.09 a share, against C$29.9m or 91 cents a share a year earlier. Revenues advanced by 7 per cent to C$739.8m, compared with C$689m in the 1988 first quarter.

The bulk of the improvement reflected higher operating earnings from the group's brewing division. At a time of falling sales volumes for the industry as a whole, Molson's sales and national market share both increased appreciably.

This was the result of continued strength in the provinces of Ontario and British Columbia.

Operating income at the group's Diversey specialty chemicals unit, meanwhile, rose by a modest 2 per cent, restrained in large measure by adverse currency fluctuations.

At noon on the Toronto Stock Exchange, the company's shares were trading up C$¼ at C$37⅞.

Barrick lifts income to $12.3m

By Kenneth Gooding, Mining Correspondant

AMERICAN Barrick Resources, the Toronto gold mining group, made a modest profit of US$2.9m on the sale of part of its 1.59 per cent shareholding in Consolidated Gold Fields of the UK and expects a further $1.5m profit if Hanson's bid for the diversified British mining company is completed.

Barrick also reported yesterday that production growth and an extensive hedging programme had lifted its net income for the six months to June 30 to US$12.3m or 21 cents a share (fully-diluted), compared with $11.3m or 19 cents.

Mr Robert Smith, president, said: "We expect the company's performance to be even better in the second half of the year as we benafit from increased production."

In the half-year the company produced 216,491 troy oz gold against 133,614 oz at a cash cost of $279 an oz, up from $244. Barrick realised an average price of $427 an ounce for its gold in the half-year.

● Placer Pacific, the Australian mining company owned 75.8 per cent by Placer Dome of Canada, blamed a lower gold price for a 46 per cent drop in net earnings to A$9.25m (US$7m) for the first half to June, Reuter reports from Sydney.

Placer Pacific's main earning interest is a 70 per cent stake in Kidston Gold Mines, which also yesterday reported a 35 per cent decline in its first-half net profits to A$15.9m.

In the second quarter Placer's 80 per cent owned Misima project in Papua New Guinea started operations.

● Messina, the South African copper miner, has increased first-half profits and built up cash reserves to finance its new platinum mine, writes Jim Jones in Johannesburg.

Interim pre-tax profit was R27m ($10.2m) against R19m.

Net earnings rose to 201 cents a share from 143 cents and the interim dividend was raised to 32 cents from 25 cents.

Stanbic raises profits 35.5%

By Our Financial Staff

STANDARD BANK Investment Corp (Stanbic), South Africa's second largest banking group, lifted interim pre-tax profits 35.5 per cent to R205.9m ($77.7m).

Mr Conrad Strauss, Stanbic's managing director, said there had been a moderate reduction in demand for credit, but net interest income had risen sharply on a significantly larger asset base.

Net earnings per share for the six months to June were 143 cents, compared with 106 cents.

Bear Stearns strengthens recovery with 129% gain

By James Buchan in New York

BEAR STEARNS, the New York brokerage house which was buffeted in the stock market crash of October 1987, yesterday capped its recovery with the announcement of strong earnings for the quarter to June.

The securities firm, which is best known for its trading activities, said earnings for the quarter rose 129 per cent to $47.6m or 50 cents a share on revenues of $629.7m, against $485.8m.

Earnings for the year rose 71 per cent to $172.4m or $1.78 a share on a 26 per cent increase in revenues to $2.36bn. The per-share figures were adjusted for a 5 per cent stock dividend announced yesterday.

Mr Alan Greenberg, chairman, said: "We are very satisfied with the results for the fourth quarter and for our fiscal year. We believe this is a strong endorsement of the many decisions we made in October 1987 and we look forward to the new year with continued optimism."

Arab bank to make $250m share issue

By Stephen Fidler, Euromarkets Correspondant

ARAB BANKING Corporation, the Bahrain-based international bank owned by the governments of Libya, Kuwait and Abu Dhabi, plans to increase its capital by offering a nominal $250m of shares to private shareholders.

Mr Ahdulla Saudi, chairman, said the bank's board had agreed at a meeting in London yesterday to recommend this course to shareholders. The bank's paid-in capital is $750m, equally subscribed by the three governments. An increase would raise it to its authorised level of $1bn.

If shareholders approve, the new shares would be offered to other shareholders, although not necessarily through a public offering. The process could be completed within about nine months. Listing would be considered in Luxembourg and on one of the Gulf stock exchanges.

Mr Saudi said the extra funds could be used to capitalise a European snbsidiary which the bank is contemplating. Arab Banking would bring together its branches in London, Paris and Rome as a separately capitalised subsidiary, perhaps eventually including its ABC-Dans operation.

Mr Saudi disclosed that the bank, which holds a 56 per cent stake in Banco Atlantico of Spain, had made operating profits of $112m in the first half of 1989, compared with $104m in the same 1988 period.

After provisions of $29m and minorities, the profits were $72m against $68m, while a further $11m was dednoted for taxes, against $9m. Assets grew 11 per cent from a year earlier to $19.2bn. The group's total loan portfolio is $8.42bn, of which half is short-term. Medium and long-term loan exposure to less-developed countries is about $2bn and provisions are just under $600m, while reserves total $373m.

Mr Sandi said he was considering converting the bank's $300m-plus Mexican exposure into fixed-rate 6¼ per cent bonds.

Air NZ operating profit up 19.4%

By Terry Hall in Wellington

EXPECTATIONS of a successful flotation of Air New Zealand were boosted yesterday when it reported a 19.4 per cent lift in operating profits to NZ$82m (US$48m) in the year to March.

However, a near-doubling in tax and extraordinary losses on associate companies brought attributable profits to NZ$72.3m from NZ$70.4m.

Mr Bob Matthew, the chairman, confirmed that a 25 per cent stake in the airline – comprising 70m shares from the current holding of Brierley Investments (BIL) – would be offered to the public in October. A further 5 per cent, or 14m shares, would be on offer to airline staff.

Mr Matthew is also chief executive of Sir Ron Brierley's BIL, which paid NZ$660m for a 60 per cent stake in April but gava the Government an undertaking it would sell 30 per cent to other interests this year. Other partners in the consortium are Qantas which holds 20 per cent and Japan Air Lines and American Airlines with 7.5 per cent each.

Mr Matthew said the price of the shares would be decided a week before the offer. They are expected to sell at about NZ$2.35, the same price as paid by the consortium.

Detailing the results, Mr Matthew said revenue rose by 10.8 per cent to NZ$1.72bn. Tax took NZ$13.3m against NZ$8.5m. An extraordinary debit of NZ$551,000 compared with a credit last time of NZ$2.3m.

LanChile privatisation draws three bidders

By Barbara Durr in Santiago

THREE BIDS have been submitted for 51 per cent of LanChile, the Chilean national airline.

The top bid, worth about $43m, came from Icarosan, a local investment company which is half owned by Banco Europeo para American Latina, the Belgian-Dutch consortium bank.

LanChile's own employees, through their investment company Inversiones Civiles Pacifico Sur, bid around $40m. Air New Zealand joined the Chilean Luksic group in a joint bid of just $26m.

The other four companies originally interested in the airline dropped out of the bidding. These were Alitalia, Evergreen International Aviation, of the US, the Chilean shipping company, Sudamericana de Vapores, and International Capital Corp, a subsidiary of American Express Bank.

Corfo, the Chilean state holding company which holds 83.7 per cent of the airline, has 30 days to consider the bids – all three of which are above the $25.1m reference price. The Chase Manhattan Bank is advising Corfo on the sale.

LanChile's employees already own 15 per cent of its shares. A further 1.3 per cent is held by Compania Acero del Pacifico, the privatised Chilean steel company.

Privatisation of the airline has stirred considerable controversy. The opposition argues that the military regime lacks the political legitimacy to sell national assets, after its defeat in a plebiscite on October 5. Opposition leaders have pledged to annul privatisations which take place after that date.

A key aspect of the controversy has been interpretation of the airline's statutes. These say air route rights, which are negotiated between governments, could be revoked if LanChile were taken over by foreign investors.

It is believed that Air New Zealand teamed up with a Chilean company and that other foreign investors may have dropped out for this reason.

LanChile had net income of $4.8m on revenues of $183m last year – its third consecutive profitable year. Last year, the Government tried to auction 32.7 per cent of the airline, but the effort failed to end in a sale.

Elf cleared for Pennwalt takeover

By Anatole Kaletsky in New York

ELF AQUITAINE, the French energy and petrochemicals group, has reached an agreement with the US Federal Trade Commission allowing it to go ahead with its $1.05bn takeover of Pennwalt, the US specialty chemicals company.

The FTC had threatened to block the deal on the grounds that Elf and Pennwalt were leading suppliers of a plastic resin, polyvinylidene fluoride, known as Kynar, used in building and electrical applications.

To win FTC consent, Elf agreed to dispose of one of Pennwalt's Kynar plants in New Jersey. Elf will however, retain another big Kynar plant in Kentucky belonging to Pennwalt. The FTC has the right to approve any purchaser of the New Jersey plant and must approve any future Elf stakes in Kynar suppliers.

Wharf Holdings proposes 30 cent final dividend

By John Elliott in Hong Kong

WHARF (HOLDINGS), the Hong Kong property, transport and hotels group controlled by Sir Yue-Kong Pao, yesterday declared net profits of HK$1.11bn (US$142.3m) for the year to March, 10.4 per cent up on the previous year.

Turnover increased by 17.8 per cent to HK$2.82bn, including Hotel Marco Polo which became a subsidiary in June last year.

The company proposed a final dividend of 30 cents in the form of new Wharf shares or cash.

This makes a total of 41 cents for the year which is 13.9 per cent higher than the previous year.

"The redevelopment of various group properties affected our overall results," Mr Peter Woo, Wharf's chairman and a son-in-law of Sir Y.K., said yesterday.

"On the one hand it reduced the revenue base and, on the other hand, it resulted in higher charges on vacation and relocation.

"Nevertheless, the core operating divisions turned in satisfactory results 25 per cent higher than the year before and the projects are expected to make substantial contributions on completion."

The group yesterday moved into a new area when Hong Kong Cable Communications, a consortium led by Wharf with a 28 per cent stake, won Hong Kong's first cable television licences which also have potential for telecommunications development.

Wharf (Holding) is planning a scrip issue of one new share for every ten in existence.

About 171.4m new shares are expected to be issued on the capitalisation of about HK$171.4m to be transferred from reserves.

Dao Heng set to buy Hang Lung

By John Elliott

DAO HENG Holdings, which controls Hong Kong's Dao Heng Bank, has won a contest to buy the local Hang Lung Bank from the Government for an undisclosed sum, subject to detailed negotiations.

Dao Heng was one of a number of local and foreign contenders – including Taiwan's Overseas Chinese Commercial Banking Corporation – which submitted offers to Morgan Grenfell, the Government's adviser.

The main shareholders in Dao Heng Holdings, each with a 45 per cent stake, are the Kwek family of Malaysia and the Kuwait Investment Office.

Dao Heng and Hang Lung are small by Hong Kong standards. Hang Lung was rescued by the Government in 1983 and last year had a net asset value of HK$354m (US$45.4m).

Resources that bring results.

Keystone International, Inc.
has sold
Keystone Technology, Inc.
to
SPCO, Inc.
Value not disclosed

Kohlberg Kravis Roberts & Co.
has acquired
RJR Nabisco, Inc.
$30,070,000,000

Land of Lincoln Savings and Loan*
has been acquired by
Household Bank f.s.b.
$70,000,000

Lake Ontario Cement Corporation
has acquired a minority interest in
Miron Inc.
$48,000,000

Lomas Financial Corporation
has agreed to sell
Lomas Bankers Corp
to an investor group led by
Merrill Lynch Capital Partners, Inc.
$500,000,000

A Management Group
has agreed to acquire
Federated Investors, Inc. and
related investment management operations
from
Aetna Life & Casualty Company
$345,000,000

A Management Group
has acquired
GAF Corporation
$1,941,000,000

McDonnell Douglas Corporation
has sold
McDonnell Douglas Health Systems Company
to
American Express Company
Value not disclosed

Merrill Lynch Capital Partners, Inc.*
has acquired
The Ann Taylor unit
of Allied Stores Corporation
from
Campeau Corporation
$430,000,000

Merrill Lynch Capital Partners, Inc.*
has acquired
Gemini Industries Inc.
Value not disclosed

MGI Properties
has acquired
Turner Equity Investors, Inc.
$35,300,000

MGM/UA Communications Co.*
has agreed to be acquired by
Qintex Australia Ltd.
$1,653,000,000

ML Media Partners, L.P.
has agreed to acquire
WICC-AM, (Bridgeport, CT)
Value not disclosed

ML Media Partners, L.P.
has acquired
Acosta Broadcasting Corporation
(San Jose, Puerto Rico)
Value not disclosed

ML Media Opportunity Partners, L.P.
has acquired
WXRI-FM, (Norfolk, VA)
Value not disclosed

Mohasco Corporation †
has agreed to be acquired by an
Investor Group
$504,000,000

Nortek, Inc.
has sold
Montrose Products Company
to
The Northern Group
Value not disclosed

Pacific First Financial Corporation*
has agreed to be acquired by
Royal Trustco Limited
$212,000,000

Pan Am Corporation
has sold
Pan Am World Services, Inc.
to
Johnson Controls Inc.
$165,000,000

Petrolane Partners, L.P.
has agreed to be acquired by
An Investor Group
$694,500,000

Piece Goods Shops Company L.P.
has been acquired by an
Investor Group
Value not disclosed

Poco Petroleums
has sold certain oil & gas properties to
Bow Valley Industries Ltd.
Value not disclosed

PPG Canada Inc.
has sold its
Architectural Metal business
to
Lorlea Steels
(a division of Jannock Steel Fabricating Company)
Value not disclosed

PWA Corp.
has acquired
Wardair Canada Ltd.
$216,000,000

Save Mart Supermarkets
has acquired
Fry's Food Stores, Inc.
from
The Kroger Co.
Value not disclosed

Semi-Tech Microelectronics (Far East) Limited
has acquired
SSMC Inc.
$280,000,000

Service Merchandise Company
has adopted a Plan of Recapitalization
consisting of a Special Dividend
of $10.00 per Common Share
$333,150,000

Southlife Holding Company
has agreed to be acquired by
Capital Holding Corporation
$158,000,000

An equity interest in
Spring City Knitting Co., Inc.
has been acquired by an
Investor Group
Value not disclosed

Standard Federal Bank
has acquired
First Federal Savings & Loan Association of Kalamazoo
$54,000,000

St. Anthony National Bank
has been acquired by
Firstar Corporation
$15,200,000

STET-Società Finanziaria Telefonica p.a.
and
American Telephone and Telegraph Company
have agreed to exchange 20% of the shares
of their subsidiaries,
ITALTEL-Società Italiana Telecomunicazioni s.p.a.
and AT&T Network Systems International
Value not disclosed

Transco Exploration Partners, Ltd.
has agreed to sell certain of its
oil & gas properties to
Amerada Hess Corporation
$911,000,000

Triangle Industries, Inc.
has been acquired by
Pechiney S.A.
$1,260,000,000

TW Services, Inc.
has agreed to be acquired by
SWT Acquisition Corp.
(an affiliate of Gollust, Tierney and Oliver)
$2,800,000,000

University Savings Bank*
has been acquired by
GLENFED, Inc.
$77,000,000

West Point-Pepperell, Inc. †
has agreed to be acquired by
Farley, Inc.
$3,000,000,000

1989 Selected Transactions
Merrill Lynch Capital Markets' clients appear in boldface type.
**Transactions initiated by MLCM.*
†Tender offer completed; final closing pending.

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INTERNATIONAL CAPITAL MARKETS

Amsterdam to extend trading hours

By Laura Raun in Amsterdam

THE AMSTERDAM Stock Exchange plans to extend trading in Dutch government bonds by two hours a day, in another attempt to enhance Amsterdam's competitive advantage.

From September 1, official dealing will begin at 8.30am (instead of 10am) and close at 5pm (instead of 4.30pm), with a review at the end of the year. Longer trading hours are intended to help Amsterdam recoup sizeable bond business siphoned off by London in recent years and to compete better with Frankfurt.

The move is part of a concerted plan to make Amsterdam the "Financial Gateway to Continental Europe" by improving various markets' liquidity and transparency. The stock exchange also intends to introduce a "fixed settlement" date for all trades before the end of this year and is considering an "open order book" system for bonds in which quotes would be publicly available.

The Amsterdam Financial Futures Market is also lengthening its trading day by opening one hour earlier, at 9am. That move went into effect yesterday.

Not everyone on the stock exchange was happy with the prospect of getting up earlier every morning, as traders in London and New York learned to do several years ago. One bond jobber was heard to grumble that longer dealing hours could push up transaction costs – rather than cutting them as Amsterdam hopes to do – due to personnel expenses. He also warned that bid-ask spreads might be wider in the early morning because of sparse orders.

British Gas issue enlivens an otherwise muted sector

By Andrew Freeman

NEW-ISSUE activity was muted on the Eurobond markets yesterday, although in London three quality deals were launched to fine debuts. Continental traders marked time over the holiday season, while Switzerland was closed.

Merrill Lynch was the lead manager of a $300m 10-year issue for British Gas International Finance, which was increased to $350m after strong and widespread demand. This

INTERNATIONAL BONDS

was the first time British Gas had tapped the Euromarket for funds. A Gas official said the purpose of the deal was to refinance previous short-term borrowings and added that the company also wanted to create a benchmark deal.

The bonds offered a launch spread of 61 basis points over Treasuries. According to Merrill this spread narrowed to around 57 basis points as the bonds traded up to less 1.72 bid. Full underwriting commissions were 2 per cent.

Newissue traders said the terms were very fair and described widespread demand. It is understood that the proceeds were not swapped yesterday, but may be if opportunities arise.

The World Bank came to the sterling market for £100m of five-year bonds, awarding the mandate to Warburg Securities. Although this was the first time the Bank had not chosen Barings as lead manager, it was announced some time ago that all Bank mandates would be competitive.

The bonds carried a 10⅞ per cent coupon and were priced at 101.175 to yield 44 basis points over government bonds. Buying was brisk, as both UK and European institutions sought what was perceived as well-priced, top-quality paper.

Warburg was quoting the paper at less 1.60 bid, well inside total fees of 1⅞ per cent. The spread against gilts had narrowed to around 40 basis points.

Although the lead manager would not comment and other houses were tight-lipped, it is understood that the proceeds were swapped into fixed-rate D-Marks, to achieve a funding rate of roughly 6.5 per cent against the current yield on five-year Bunds of 6.78 per cent.

Salomon Brothers was the lead manager of the latest in the recent series of undated variable rate note issues (previous deals have been launched by Merrill Lynch). The $200m deal for the Bank of Ireland carried a coupon of 50 basis points over three-month Libor and met good demand.

Before launching the deal, Salomon had worked extensively to identify demand and said the paper was trading at its par issue price. Underwriting fees were not disclosed.

● British Gas announced it had completed the necessary filings with the Securities and Exchange Commission for permission to launch a $200m debenture issue in the US domestic market. The company made two issues in the US market last year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sprint 7†◆	20	(b)	100.12	1993	n/a	Fuji Int. Finance
Bank of Ireland◆◆(d)	200	50bp	100	Undated	n/a	Salomon Bros Int.
British Gas Int. Fin.◆(e)	350	8⅞	101.10	1999	1⅞/⅝	Merrill Lynch Int.
Issue update:						
Daicel Chemical Inds.‡◆(a)	300	3¾	100	1993	1½/¾	Nomura Int.
Thermo Process Systems§◆(c)	40	6½	100	1997	1½/1	Shearson Lehmann Hutton
STERLING						
World Bank◆	100	10⅞	101.175	1994	1⅞/⅝	S.G.Warburg Secs.

◆Final terms. ‡With equity warrants. ◆Variable rate note. §Convertible. †Floating rate note. a)Coupon cut by ½%. b)6-month Libor + 0.135%. Repackaged ex-warrants floating rate note. c)Issue amount increased by $5m. d)60bp over 3-month Libor. Alternative margin 100bp over Libor years 1-10, then 140bp. e)Issue amount increased from $300m.

World Bank to redeem yen bond early

THE WORLD Bank will redeem its 23rd yen bond early, on October 19, Reuter reports from Tokyo.

The Y20bn, 12-year bond carries a coupon of 7.8 per cent and is due in 1995. The amount redeemed early will be Y18.4bn at a premium of 3 per cent. The remaining Y1.6bn will be paid at par on the same day under the regular redemption obligation, the bank said.

The World Bank said it planned to lower borrowing costs through redeeming some yen bond and other currency-denominated bonds early, in the belief that this would lessen debt payments of developing nations.

● Japan's Finance Ministry has given a securities licence to CRT Japan, a wholly-owned subsidiary of Chicago Research and Trading Group.

The licence allows the company to conduct securities dealing and brokerage, the ministry said.

Chase sets up funding for Bealaw

By Norma Cohen

EQUITY AND debt financing for the management buy-out of Prestwich Holdings by a newly-formed group, Bealaw Holdings, is being arranged by Chase Investment Bank.

The funding consists of a £64m senior debt portion, co-underwritten by Chase and National Westminster Bank, which includes a £34m 6¾-term loan facility bearing a margin of 2 per cent over London interbank offered rates.

There is also a five-year £30m revolving credit facility paying a margin of 1¾ per cent over Libor.

Banks are being asked to participate in amounts of £7.5m or £5m with front-end fees of ⅜ and 0.275 per cent respectively.

A £15.25m tranche of mezzanine finance has been underwritten by Elders Finance Ltd.

A group of institutional investors is providing £10.25m of capital in the form of junior mezzanine and preferred equity. In addition to Chase the investors are CIN Venture Managers, Security Pacific, Hoare Govett Equity Ventures, Elders Real Estate and Comptrol Establishment.

The management team of Prestwich is providing the remaining £1.5m in equity capital.

● Watmoughs (Holdings), a printing group, has established its first £20m commercial paper programme with Barclays de Zoete Wedd and Morgan Grenfell as dealers. The programme carries no credit rating.

German bank pares operation

CONTINENTAL BANK has stopped trading German government securities and foreign exchange at its Frankfurt branch, Reuter reports from Frankfurt.

The move took effect on July 28 as part of "a strategic realignment of services," the bank said.

Mr Albert Sonntag, Continental's managing director, said the decision followed increased globalisation of dollar/Mark spot and German government securities trading.

"This globalisation means it is no longer possible to make the profits that we made in the past," he said. The Frankfurt branch would continue to advise commercial clients.

Mr Sonntag said the Frankfurt move would entail major reductions in the bank's 59 staff there, but cuts had yet to be agreed with the works council.

Foreign exchange and German government securities trading would continue at the bank's branches in London, Tokyo and Chicago, he said.

The bank plans to develop a Euro-securities sales force in Frankfurt, offering non-German securities to domestic clients.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¼ 95	600	105	105½	+0¼	+1½	8.25
Austria 9⅝ 93	140	104¼	104½	+0¼	+1⅛	8.20
B.F.C.E. 7 92	150	†97	97½	+0⅛	+0¼	8.16
B.F.C.E. 9⅛ 95	150	104½	105	+0⅛	+1⅛	8.24
Brit. Tel. Fin. 9¾ 98	250	105⅜	106	+0⅛	+1⅞	8.46
BP America 9¼ 99	250	*105⅞	106¼	0	+1½	8.78
Canada 9 96	1000	105	105½	+0⅛	+1¼	7.99
Canadian Pac. 10¼ 92	100	†102½	103	0	+0¼	9.06
C.C.C.E 9⅞ 95	300	104¼	104¾	+0⅛	+1½	8.22
C.N.C.A 9¼ 93	150	†103⅛	103⅝	+0¼	+1	5.44
Credit National 8¼ 93	200	†100	100½	+0⅛	+1¼	8.15
Credit National 7⅞ 92	100	97⅞	98⅜	+0¼	+0¼	8.14
Credit National 9½ 92	160	103½	104	+0⅛	+1⅛	8.21
Dai-Ichi Kan 9⅞ 92	150	103¼	103½	+0¼	+1	8.39
Denmark 7¼ 92	500	97¼	97¾	+0¼	+0⅞	8.20
E.E.C. 7 91	100	97½	98	+0¼	+0⅛	8.06
E.E.C. 7¼ 93	250	†97⅜	97⅞	+0⅛	+2¼	8.01
E.E.C. 10 93	140	†105½	105⅞	+0¼	+1	8.13
Eurofima 10¼ 93	100	†106¼	106⅞	+0¼	+1	8.01
Elec. De France 9 98	200	103⅞	104¼	+0⅛	+1¼	8.32
Elec. De France 9½ 99	200	†106	106½	+0⅛	+1⅝	8.51
Finland 9 96	250	103¼	104	+0½	+1⅝	8.25
Finn. Exp. Cd. 8½ 92	200	100½	101	+0⅛	+0⅞	8.14
Finn. Exp. Cd. 9⅞ 95	200	104½	105	+0⅛	+1¼	8.36
Finn. Exp. Cred. 10⅝ 91	200	102¾	103⅛	0	+0⅛	8.69
Ford Motor Credit 8 91	250	†99¼	99⅞	+0½	+0⅞	8.29
Gen. Elec. Cap. Corp. 9 93	500	†102½	103	+0⅛	+1	8.20
Gen. Elec. Cap. Crp. 10 1/2 93	300	103⅛	103⅝	+0¼	+0⅛	8.15
G.M.A.C. 9 96	300	101⅞	102⅛	+0⅞	+1½	8.60
Gen. Mtrs. Corp. 9⅞ 92	200	101⅞	102¼	+0⅛	+1	8.33
IBM Credit Corp. 8⅞ 91	250	101½	102	+0¼	+0⅛	7.96
IBM Credit Corp. 9 92	250	103	103⅛	+0¼	+0⅞	7.77
IBM Credit Corp. 9½ 92	250	103⅛	103⅝	+0¼	+0⅞	7.95
IBM Credit Corp. 10 92	200	†104⅞	105¼	+0⅛	+1½	7.89
Italy 9½ 95	1000	105¼	106¼	+0½	+1⅝	8.25
Italy 9⅞ 99	1000	106⅝	107⅛	+0½	+1⅝	8.49
Japan Dev. Bank 10 96	200	108	108½	+0¼	+1¼	8.37
L.T.C.B. of Japan 9¼ 92	200	102¼	102⅝	+0⅛	+1	8.32
Metropolis Tokyo 9½ 93	200	103⅞	104⅛	+0⅛	+1	8.09
Nippon Tel. & Tel. 9⅞ 98	250	105⅜	105⅞	+0½	+1½	8.47
Norway 8¼ 93	500	101⅝	102⅛	+0⅛	+1¼	8.02
Portugal 8¼ 91	300	†98⅞	99⅜	0	+0½	8.79
Prudential Crp. 8⅞ 94	125	101½	102	+0⅛	+1	8.30
Sumitomo Bank 9⅝ 92	150	†102⅞	103⅜	+0¼	+1	8.44
Sweden 7 91	250	97⅝	98⅛	+0¼	+0⅞	7.94
Sweden 8¼ 96	200	102⅛	102⅝	+0¼	+1⅛	8.23
Sweden 8½ 92	200	†100½	101	+0⅛	+1¼	8.20
Toyota 9½ 91	200	102¼	102⅝	+0¼	+0½	8.32
Victorian Rep 11⅛ 92	150	107½	108	+0¼	+0⅞	8.52
World Bank 7 92	300	†97⅞	98¼	+0¼	+0¼	7.94
World Bank 9 97	300	104⅛	104⅝	+1	+2	8.21
World Bank 9 93	300	102⅞	103¼	+0¼	+1	8.04
World Bank 9¼ 98	300	105	105½	+0⅛	+1½	8.48
World Bank 9⅝ 99	500	107⅝	108	+0⅛	+1¼	8.39
World Bank 9¾ 96	300	†107	107½	+0¼	+1⅛	8.30

Average price change... On day +0⅛ on week +1¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	96¼	96¾	-0⅛	-0⅛	6.79
Austria 6¼ 99	750	99⅝	100	+0¼	+0½	6.76
Bank of Tokyo 5⅛ 93	100	97⅛	97⅝	0	+1⅛	6.54
Commerzbank o/s. 5⅞ 93	300	95⅞	96⅛	0	+0¼	6.70
Credit Foncier 6¾ 99	500	99⅝	99¾	-0⅛	+0⅛	7.80
E.I.B 5½ 98	150	91⅝	92⅛	0	+0¼	6.78
E.I.B. 6⅛ 99	600	96⅜	96⅞	+0⅛	+0½	6.77
E.I.B. 6⅛ 96	500	96¾	97¼	0	+0⅛	6.68
E.I.B. 6½ 99	300	97½	98⅛	+0⅛	+0⅛	6.80
E.I.B. 6⅞ 95	500	100⅝	101	-0⅛	+0⅛	6.74
Euro. Coal & Steel 5⅞ 97	175	93⅞	94⅜	0	0	6.87
Eurofima 6¼ 96	100	97⅛	97⅞	0	-0⅛	6.71
Elec De France 5½ 97	300	94⅛	94⅜	0	-0⅛	6.67
Hydro-Quebec 6¾ 99	500	99⅝	99¾	-0⅛	+0⅛	6.80
Japan Dev. Bk. 5¾ 95	300	93⅞	94½	+0¼	-0¼	6.72
Japan Finance 5⅞ 97	100	92⅞	93⅛	0	+0½	6.97
I.A.D.B. 7¼ 99	300	103	103¼	+0¼	+0¼	6.82
Ireland 6½ 97	500	96⅞	97⅜	-0⅛	+0⅛	6.99
Ireland 7⅛ 99	500	101⅛	101⅛	+0⅛	+0¼	7.07
Malaysia 6¼ 94	150	96⅞	97⅛	+0⅛	+0⅛	6.96
Nat. West BK. PLC 6 98	300	93⅛	94⅛	0	+0⅛	6.97
N.H.L. Finance 6¼ 95	200	†95⅜	96⅛	-0⅛	-0⅛	7.08
Nippon Telg.&Tel. 6 95	400	97½	98¼	-0¼	+0⅞	6.23
Oesters. Kontbk. 5 93	300	94⅛	95¼	0	0	6.72
Portugal 5¾ 92	150	98¼	99⅛	0	0	6.22
Portugal 6⅞ 95	150	100¾	101¼	-0¼	0	6.42
Privatbanken 5¼ 93	150	94⅛	94⅞	0	+0⅛	7.03
Royal Insurance 5½ 92	500	96½	97	+0¼	+0⅛	6.85
Turkey 6½ 95	500	†94½	95	0	0	7.65
Union Bk. Finland 5½ 94	200	94⅝	95¼	-0⅛	-0½	6.86
World Bank 6 98	500	†94½	94⅞	+0⅛	+0¼	6.80
World BK. 6¼ 97	600	97¼	97⅞	+0⅛	+0⅛	6.83
World Bank 6¾ 99	600	99⅛	99⅞	+0¼	+0½	6.79

Average price change... On day +0 on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	*†94½	95	0	+0¼	5.92
Asfinag 5 03	100	*†92	92½	0	-0¼	5.82
B.F.C.E. 4½ 98	200	*†93¼	94	0	+0½	5.38
B.M.W. Fin. Neth. 5 13	150	*†87½	88⅛	0	0	5.95
Britannia B/S. 4¼ 94	100	*†92	93	0	0	6.07
CIR. Int. W/W 3 93	125	*†95	95¼	0	+1	4.36
Credit Lyonnais 4¾ 00	100	*†90	91	0	0	5.96
E.I.B 4¼ 98	150	*†91¼	92¼	0	+0⅛	5.84
Fletcher Chall. 4⅞ 98	150	*†85¼	86	0	-2	7.10
Kobe City 4⅛ 98	150	*†92	92½	0	0	5.76
Leeds Perm. B/S. 4⅛ 93	200	*†93½	94	0	0	6.05
Malaysia 5¼ 98	100	*†90	90¼	0	+1⅞	6.74
Maxwell Comm. Crp. 5 95	150	*†90	90½	0	-0⅛	7.08
Nat. Bk. Hungary 5½ 94	75	*†94½	95½	0	-0¼	6.62
Nationwide Ang. B/S. 4 93	200	*†92½	93	0	+0¼	6.16
Nippon Telg.&Tel. 4¼ 95	200	*†93½	94	0	0	5.49
Oesters. Ktbk. 5 03	75	*†92	92¼	0	+0½	5.84
Prov. Newfoundland 5 03	150	*†92¼	93	0	-0¼	5.76
Thailand 4⅞ 95	200	*†93	94	0	0	5.95
World Bank 5 03	150	*†92½	95	0	-0¼	5.77

Average price change... On day 0 on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅛	101⅝	0	+0¼	5.07
Canada 5⅞ 93	80	101⅛	102	-0⅛	+0⅛	5.09
Eurofima 5 1995	20	98¼	99⅛	+0¼	+0½	5.20
E.I.B. 4⅞ 93	30	99	99⅛	0	+0½	5.14
Ireland 5⅛ 93	30	99⅞	100⅜	-0⅛	+0¼	5.15
Norway 5¼ 95	50	99⅞	100⅜	-0⅛	+0½	5.12
Sweden 4⅞ 93	50	98¼	98½	+0⅛	+0½	5.10
World Bank 5⅛ 98	10	98⅝	99¼	+0¼	+0½	5.29
World Bank 7 94	20	107⅛	107⅝	0	+0⅛	5.20

Average price change... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅞ 95 £	100	99½	100	-0¼	+0⅛	11.65
Aegon 7⅛ 92 FL	100	101⅞	102⅜	0	+0¼	7.73
Alg. Bk. Ned. 5¾ 93 FL	200	95⅛	95¾	0	0	7.19
Austria 7½ 94 ECU	100	96½	97⅛	+0⅛	+0½	8.35
Bk. Nova Scot. 14⅛ 90 A$	75	95⅜	96¼	0	0	17.95
Barclays Aus. 13½ 91 A$	100	95⅜	96⅛	+0¼	+0½	15.76
Belgium 8⅛ 94 Ecu	150	98⅛	98⅞	+0¼	+0⅛	8.51
BP Capital 9⅛ 93 £	100	94½	95	-0¼	+0⅛	11.54
British Airways 10 98 £	100	93¾	94½	0	+1¼	11.07
Comm. Bk. Aust. 12⅞ 93A$	100	†93¼	94¼	+0¼	+0½	14.75
Cr. Local France 9⅞ 92Ecu	100	102⅛	102⅞	+0⅛	+0⅛	8.27
Deut. BR. Aus. 13⅞ 93 A$	125	97⅜	98	+0⅛	+0⅛	14.08
Deutsche Bk. Fin. 15 94 A$	100	102⅛	102⅜	0	+0⅛	14.18
Eastman Kodak 13 90 A$	100	95¼	96	0	+0⅛	17.80
E.I.B. 7 96 LFr	100	†97	98	+0⅛	+0¼	7.49
E.I.B. 9 99 Ecu	150	102⅞	103⅜	+0⅛	+1	8.52
Eurofima 7⅞ 94 Ecu	100	97¼	97⅞	+0⅞	+0½	8.29
Export Dv. Crp. 8⅛ 92Ecu	100	100⅜	101⅛	+0⅛	+0⅛	8.35
Fed. Bus. Dv. Bk. 9⅛ 92 C$	75	†100½	101	+1	+1⅛	9.41
Fed. Bus. Dv. Bk. 10½ 93C$	50	102	102⅜	+0½	+1	9.81
Ferrv. Stato 7¾ 93 Ecu	100	97⅜	97⅞	+0⅛	+0⅛	8.57
Ford Cr. Can. 10⅞ 93 C$	100	†102⅛	102⅛	+1	+1⅛	9.88
Ford Cred. Can. 10⅞ 96C$	125	104½	105⅛	+0⅞	+1⅛	9.84
Ford Cred. Fund 10⅞ 93£	60	97	97½	-0⅛	+0⅞	11.56
Ford Mtr. Cred. 7⅞ 93Ecu	100	97⅜	97⅞	+0⅛	+0⅛	8.70
G.M.A.C. Canada 11 3/4 94C$	150	100⅞	101⅜	+0⅛	+1⅛	9.99
Heineken 7⅞ 94 FL	150	102¼	102¾	[illegible]	[illegible]	7.55
Hydro-Quebec 11 99 C$	400	†105⅝	106	[illegible]	[illegible]	9.88
Lloyds Bank 10⅞ 98 £	150	93⅝	94⅛	+0¼	+1¼	11.33
Lloyds Bank 11⅞ 98 £	100	97⅝	97⅞	-0⅛	+1	11.90
Montreal Tst. 10⅛ 93 C$	100	†102⅛	102⅝	+1	+1⅛	9.94
Morgan Guar. Tst. 11 91 C$	150	100⅞	101⅜	+0⅛	+1	10.12
Nat. Aus. Bk. 14¼ 94A$	100	99⅞	100⅜	+0⅛	+0⅛	14.91
New Zealand 9⅞ 93 £	100	95⅛	95⅝	+0⅛	+0¼	11.42
Philips Gloeil. 6⅞ 93 Fl	500	97⅞	98⅛	0	+0⅛	6.66
Privatbanken 7¾ 94 LFr	500	†98	99	0	-0⅛	7.88
Royal Bk. Scot. 10¼ 98 £	125	96¾	96⅞	-0⅛	+1¼	10.98
Saskatchewan 9¾ 93 C$	150	†100⅜	101	+0⅛	+1¼	9.43
Saskatchewan 10½ 99 C$	200	101⅞	102⅜	+0⅛	+1	9.86
State Bk. NSW 13¾ 93A$	100	98⅞	99⅜	+0⅛	+0⅛	14.79
Sweden 15 94 A$	100	103⅛	103⅝	+0⅛	+0⅛	13.93
Toyota Mtr. Cr. 11⅞ 93C$	150	103⅛	103⅝	+0⅛	+0¾	9.70
World Bank 13⅜ 92 A$	100	99⅞	100⅜	0	+0⅛	13.63
World Bank 14 92A$	75	101⅛	102⅛	+0⅛	+0⅛	13.42
Zentrspk. 13⅛ 93 A$	75	†96⅞	97⅜	+0⅛	+0⅛	14.26

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Greece 99 US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium 93 US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chelt. & Gloucester 94 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Foncier 98 US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dresdner Finance 99 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 3 92 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Halifax 95 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Invt. in Industry 94 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Leeds Perm. B/S. 94 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bank 01 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milk Mkt. Brd. 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 5 97 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
State Bk. Nsw. 98 US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolwich Equit. 95 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolwich 5 95 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day +0.00 on week -0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amer. Brands 7¾ 02 US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CBS. Inc. 5 02 US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Primerica 5⅞ 02 US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eng. China Clays 6¾ 03 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 3 04 Y	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke 6¾ 04 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Secs. 6¾ 02 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Minolta Camera [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MCA INC. 5 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Next Plc 5 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nikki Nippon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Omron Tateisi [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ranks Hovis [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Redland 7¼ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saatchi & Saatchi [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sibion Graphics [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texas Inst. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Newspapers [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W.R. Grace [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SINS2; Line BONDSIN Truncation occurred. Story "#026151".

INTERNATIONAL CAPITAL MARKETS

US Treasuries up as Fed confirms monetary easing

By Karen Zagor in New York and Katharine Campbell in London

FURTHER SIGNS of a softer US economy were greeted with unalloyed pleasure by the US debt market, which saw yields on the Treasury's benchmark long bond pushing steadily lower throughout morning trading.

At midday the Treasury's bellwether 30-year bond was up 2½ points at 112½, yielding 7.76 per cent. The Federal Reserve executed one-day matched sales when Fed funds were trading at 8¾ per cent.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red. Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	107-02	-7/32	10.78	10.94	11.39
	8.750	1/96	96-08	-14/32	10.07	10.25	10.68
	9.000	10/08	96-12	-8/32	9.78	9.34	9.63
US TREASURY *	9.125	5/99	109-26	+30/32	7.68	8.02	8.09
	8.875	2/19	112-07	+13/32	7.81	8.12	8.06
JAPAN No 111	4.600	6/98	97.3590	+0.120	5.03	5.13	5.48
No 2	5.700	3/07	107.3684	+0.101	4.92	5.00	5.19
GERMANY	7.000	2/99	102.7500	+0.100	6.59	6.65	6.71
FRANCE BTAN	8.000	1/94	98.3029	+0.303	8.44	8.71	9.01
OAT	8.125	5/99	98.7600	+0.370	8.30	8.49	8.71
CANADA *	10.250	12/98	107.6250	+1.450	9.02	9.35	9.30
NETHERLANDS	7.000	3/99	100.4200	+0.220	6.93	7.07	7.14
AUSTRALIA	12.000	7/99	93.8283	+1.063	13.13	13.46	13.47

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

The draining move was seen as further evidence that the Fed's target rate for the funds, the rate at which banks lend to each other, is 9 per cent to 9¼ per cent.

The debt market was encouraged by weaker-than-expected July economic data. The purchasing managers' index fell from 48.8 per cent in June to 46 per cent in July, its lowest level since January 1983.

This leading indicator has *now registered a decline in the* manufacturing economy for three successive months, after recording 33 consecutive months over 50 per cent. The drop below the 50 per cent level indicates that this sector of the economy is declining.

In addition, new orders for July were at their lowest since November 1982 and production was down for the first time in three years. Construction spending fell 0.8 per cent in June and May spending was revised down to 0.6 per cent from 1.3 per cent.

The dollar remained soft through early afternoon trading, at Y136.95 and DM1.8665, little changed from Monday's close.

Mr Alan Greenspan, chairman of the Federal Reserve Board, yesterday confirmed that the Fed had eased monetary policy. "The easing has consisted of several steps, the most recent of which took place last week," he said.

Mr Greenspan told the Senate Banking Committee that the Fed had been successful in fighting inflation. When asked whether the Fed would be successful in bringing down inflation without triggering a recession, Mr Greenspan said: "I think we will make it."

The release of July's unemployment figures on Friday may signal a further easing of interest rates by the Federal reserve.

■THE GERMAN market powered ahead again yesterday, with a flurry of buying by both domestic dealers and international investors. Interest was strong across all maturities early in the morning and again after New York opened.

Bonds are benefiting from an easing in the US dollar and fresh cash is beginning to focus on the D-Mark and guilder sectors, as France and the UK are seen as having had a good run already.

The US purchasing managers' survey, which registered its lowest level since the beginning of 1983 and helped the US long bond along in early New York trading, in turn added fresh impetus to the European markets.

The federal 6¾ per cent 10-year bond was fixed at 101.25 after 101.05 the previous morning and was yielding 6.58 per cent. Dealers were speculating as to whether the important 6.5 per cent would be breached in the next week or two.

■THERE WAS plenty of turnover in the Dutch market, too, with 10-year bonds advancing between ¼ and ¾ of a point.

The announcement by the Amsterdam Stock Exchange that bond trading on the floor would, from September 1, start one and a half hours earlier, at 8.30am local time and end at 5pm, 30 minutes later, was greeted with some puzzlement by foreign dealers.

They were sceptical as to how much extra business the early opening would facilitate.

■THE SWEDISH debt office yesterday announced the results of the first domestic government bond issue since the lifting of foreign exchange restrictions at the beginning of last month.

The 11-year, SKr2bn issue, which was four times oversubscribed, produced an average yield of 11.15 per cent, lower than traders had been expecting.

This in turn boosted bonds in similar maturities, where yields immediately fell 9 basis point to around 11.11 per cent.

■THE UK government bond market, beset by sterling weakness, was somewhat invigorated later in the day by the rally in US Treasuries. While the 11¾ per cent Treasury stock 2003-2007 had traded as low as 115⅛ during the day, it bounced back to close at 115⅜.

Sterling, which shed 0.6 on the trade-weighted index, was the victim of isolated large orders, rather than a fundamental change in sentiment, dealers reckoned.

Saudi breaks taboo on foreign borrowing

Finn Barre and Andrew Gowers report on Riyadh's recent forays into overseas loans

With customary discretion, the Government of Saudi Arabia has started in recent weeks to break an important official taboo: that against commercial borrowing of foreign funds.

Earlier this month Mr Mohammad Abal-Khail, the *Saudi Finance Minister, signed* an agreement with a syndicate of 11 banks led by the kingdom's National Commercial Bank for a $660m loan to the government-owned Public Investment Fund (PIF).

The event has caused a stir among bankers working in Saudi Arabia, because it represents the Government's first more-or-less direct dollar-denominated borrowing in more than 30 years. What is more, it appears to represent a *form of* old-fashioned deficit financing.

Technically, the authorities can argue that the new agreement does not constitute a government loan. But allowing the cash-rich PIF, which normally provides finance for large industrial projects, to take on debt to cover purchases of government bonds amounts to much the same thing.

It will give the Government access to reserves that were previously untouchable. The pattern may be repeated in the case of such other wealthy government bodies as the General Organisation for Social Insurance (Gosi) and the civil service pension fund.

On the face of it, the kingdom's financial circumstances could scarcely be more different from those when it last tapped foreign funds in the late 1950s. At that time, the extravagant King Saud was busy bankrupting the country by spending way beyond his relatively modest means. In the late 1980s, the kingdom may not be as prosperous as a decade ago, but it remains by any standard immensely rich and continues to control sizeable liquid reserves. So what is behind the sudden resort to syndicated borrowing?

The answer appears to lie in a mixture of worries about the budget deficit, difficulties in domestic borrowing, reduced oil revenues and steadily declining reserves.

As if to highlight the problems, the Saudi Government has been falling behind on payments to contractors and suppliers this year. A new wheat harvest is in, yet half of last year's crop subsidy – amounting to $680m – has not been paid.

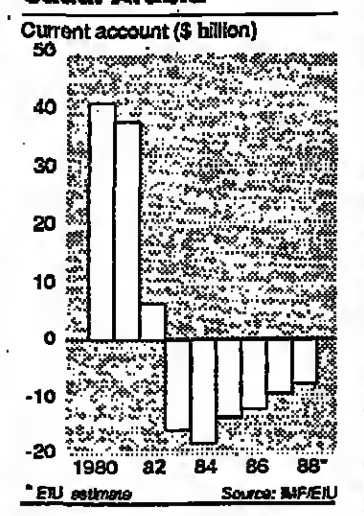
It is not clear exactly why the Government is having these difficulties – especially since oil revenues are apparently on target this year. The SR141bn ($37.8bn) budget for 1989 was predicated on oil prices of approximately $15 a barrel.

However, Western bankers point out that an increasing proportion of Saudi oil exports is being earmarked to pay for government-to-government deals, especially in the defence sector. With arms procurement proceeding apace, the Government is free to sell less and less oil for cash.

The Saudi authorities have clearly been concerned for some time about the medium- to long-term financial outlook. In recent years, persistent budget and current account deficits have caused the kingdom to draw repeatedly on its reserves and the sale of its *assets has only partly been off*set by favourable currency and bond market movements.

Saudi Arabia

Current account ($ billion)



* EIU estimate. Source: IMF/EIU

Although the precise figures are a well-kept secret, it is estimated that the reserves peaked in 1981 at approximately $190bn and are now down to somewhere between $50bn and $60bn. In 1988 alone, they are said to have shrunk by $10bn. At that rate, the kingdom would not have many years to go before moving into the red.

To make matters worse, the reserves have been becoming less and less liquid, since the Government has gradually sold off its more easily realised holdings. A significant proportion of the portfolio – though no outsider can say exactly how significant – consists of assets that are unlikely to be collected, such as its IMF reserve position, aid loans to Egypt and other poor Arab countries and the uncounted billions "loaned" to Iraq during its eight-year war with Iran.

Approximately half the total holdings are not directly accessible, because they are held by the civil service pension fund, Gosi and the PIF and managed by the Saudi Arabian Monetary Agency (Sama), the central bank. Largely because of the mess the kingdom got itself into by borrowing 30 years ago, Sama is legally precluded from financing the central Government.

At the beginning of last year, to slow the decline in reserves, the Government finally did what many outside experts had long been urging it to do: it sought to tap domestic capital to cover its deficit by starting to issue "development bonds." This was the Government's first borrowing – other than through short-term bill issues – in more than 20 years and, in undertaking it, Sama was already treading on sensitive ground.

The move met fierce resistance from religious conservatives, anxious to enforce the ban on payment or receipt of interest under Islamic *sharia* law. As a result, the Government claims its bonds are linked to industrial projects and that their return is linked to project revenues, whereas in reality the rates are simply linked to those on US Treasury bills.

But the main problem is that the uptake of bonds in Saudi Arabia's private sector has been most disappointing. In particular, the kingdom's 12 commercial banks have been less than enthusiastic. Last year, the authorities issued around SR42bn worth of bonds. But the authoritative Middle East Economic Survey estimates that at the end of 1988 local banks are unlikely to have held more than SR9bn worth of bonds on their books. Although Sama has tried to develop a secondary capital market, banks consider the bonds relatively illiquid.

The first purchasers of bonds last year were the civil service pension fund and Gosi. Now, according to financial experts in the kingdom, the Government is placing bonds with other quasi-official bodies, such as the pension funds of Aramco and Petromin, the two state oil companies, and of the petrochemicals producer Sabic.

This goes a long way towards explaining Saudi Arabia's new loan, which appears to be designed to help the Government continue borrowing from itself. "It's all a bit of a facade to enable Sama to get around the legal restriction against financing the central Government," said one western financial expert.

This may become a pattern. Domestic bonds are being issued at a similar rate this year and if the pension funds and other official institutions are to continue to absorb a large proportion of them they will need to borrow to do so.

The kingdom *has* tried to rein in government spending and imports in recent years. But the economy's narrow industrial base and the increasing costs of maintaining its infrastructure are an inevitable brake on efforts to reduce the current account deficit. Saudi Arabia may thus be faced with an increasingly stark choice in the next few years: between borrowing more or further running down its already depleted reserves.

Turkey rescinds Citibank mandate

By Jim Bodgener in Ankara

THE TURKISH Treasury has rescinded a mandate for balance of payments borrowing valued at $200m awarded to Citibank in late June for failing to meet a July 24 deadline to close the deal. Citibank had over-reached itself by trying to go it alone on the three-year loan, according to a senior Treasury official.

The bank had belatedly launched the syndication on July 12 and had turned down offers from prospective co-lead managers, said the official. It had also offered very thin fees to about seven major banks asked to participate in syndication, mainly Japanese but also some British and French institutions.

The deal was priced at an all-inclusive 132 basis points over Libor. It had a one-year call option for the Treasury at the end of the first year.

By happy coincidence, the Treasury received the proceeds earlier this month of a DM400m bond issue in Frankfurt doubly oversubscribed in one day, which to some extent compensated for the loss of the Citibank syndication. Negotiations were going on with other banks for the lapsed mandate, but it might not be necessary to re-award it, said the official.

"Citibank wanted to have the cream on the cake for themselves," he said.

Swedish joint venture

PKBANKEN, the Swedish bank, is forming an investment company along with four Swedish industrial firms and an international holding company, Reuter reports from Stockholm.

The Swedish partners in the new company, which will have an initial share capital of SKr450m and be called AB Custodia, are Lindengruppen, Nobel Industrier, Procordia and Trelleborg. A newly-formed and as yet unnamed holding company, in which France's Compagnie Financière de Paribas, Hafnia Invest, the Danish insurance company, and Cobepa, a Belgian company, hold stakes will also participate.

Paribas said in Paris that the international holding company would take a 22 per cent stake in Custodia. Paribas, its Belgian subsidiary Cobepa and Hafnia Invest will all have one third of the stake.

The Custodia partners hope to float it on the Swedish stock market in three or four years.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday August 1 1989

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Jul 31 Index No.	Fri Jul 28 Index No.	Thu Jul 27 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (206)	[illegible]									
2 Building Materials (29)	[illegible]									
3 Contracting, Construction (37)	[illegible]									
4 Electricals (9)	[illegible]									
5 Electronics (30)	[illegible]									
6 Mechanical Engineering (55)	[illegible]									
8 Metals and Metal Forming (6)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (23)	[illegible]									
21 CONSUMER GROUP (186)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (20)	[illegible]									
26 Food Retailing (14)	[illegible]									
27 Health and Household (24)	[illegible]									
29 Leisure (33)	[illegible]									
31 Packaging & Paper (15)	[illegible]									
32 Publishing & Printing (19)	[illegible]									
34 Stores (34)	[illegible]									
35 Textiles (15)	[illegible]									
40 OTHER GROUPS (94)	[illegible]									
41 Agencies (17)	[illegible]									
42 Chemicals (23)	[illegible]									
43 Conglomerates (13)	[illegible]									
45 Transport (13)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (26)	[illegible]									
49 INDUSTRIAL GROUP (486)	[illegible]									
51 Oil & Gas (14)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (124)	[illegible]									
62 Banks (9)	[illegible]									
65 Insurance (Life) (8)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (10)	[illegible]									
69 Property (52)	[illegible]									
70 Other Financial (31)	[illegible]									
71 Investment Trusts (69)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (703)	[illegible]									

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 31	Jul 28	Jul 27	Jul 26	Jul 25	Year ago
FT-SE 100 SHARE INDEX ♦	2292.3	-4.7	2297.5	2284.5	2297.0	2306.0	2283.7	2284.5	2269.4	1895.5

FIXED INTEREST

PRICE INDICES		Tue Aug 1	Day's change %	Mon Jul 31	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.66	-0.08	118.75	–	7.13
2	5-15 years	134.38	-0.27	134.74	–	8.26
3	Over 15 years	147.99	-0.18	148.26	–	7.09
4	Irredeemables	169.22	–	169.22	–	7.32
5	All stocks	132.23	-0.19	132.49	–	7.86
	Index-Linked					
6	5 years	141.17	-0.11	141.33	–	1.36
7	Over 5 years	138.42	-0.34	138.88	–	2.33
8	All stocks	138.51	-0.32	138.95	–	2.24
9	Debentures & Loans	113.42	-0.05	113.48	–	6.16
10	Preference	88.43	–	88.43	–	3.50

AVERAGE GROSS REDEMPTION YIELDS			Tue Aug 1	Mon Jul 31	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.45	9.44	9.54
2		15 years	9.13	9.10	9.40
3		25 years	9.04	9.02	9.16
4	Medium Coupons	5 years	10.37	10.29	9.96
5		15 years	9.52	9.49	9.63
6		25 years	9.16	9.15	9.39
7	High Coupons	5 years	10.49	10.42	10.86
8		15 years	9.74	9.71	9.78
9		25 years	9.35	9.34	9.42
10	Irredeemables		9.08	9.08	9.63
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.90	2.86	2.85
12	Inflation rate 5%	Over 5 yrs.	3.52	3.50	3.82
13	Inflation rate 10%	5yrs.	2.12	2.07	1.81
14	Inflation rate 10%	Over 5 yrs.	3.35	3.33	3.65
15	Debs & Loans	5 years	12.66	12.39	10.93
16		15 years	11.96	11.85	10.89
17		25 years	11.90	11.92	10.89
18	Preference		10.29	10.24	9.72

♦ Opening index 2292.4; 10 am 2296.2; 11 am 2291.9; Noon 2289.0; 1 pm 2290.7; 2 pm 2287.5; 3 pm 2289.4; 3.30 pm 2285.9; 4 pm 2287.6. (a) 11.26am (b) 5.00pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

CONSTITUENT CHANGES: Pentland Industries (40) has been deleted and replaced by Pentland Group (48).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	86	13
Corporations, Dominion and Foreign Bonds	3	9	32
Industrials	320	366	886
Financial and Properties	117	178	379
Oils	22	30	41
Plantations	1	3	7
Mines	57	22	96
Others	101	46	126
Totals	628	732	1,580

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Jul 24
- Last Dealings Aug 4
- Last Declarations Oct 26
- For settlement Nov 6

Calls in Candover Inv, Richmond O & G, Sulgin A, Cityvision, Tuskar, AB Eng, Bennett & F, Bus Comp, Cent Pack, S & W Wood, Amstrad, Broadcast Comm, Thurgar, Microfocus. P/C in Bear Brand, Barratt Dev, Aberfoyle.

For rate indications see end of London Share Service

LONDON TRADED OPTIONS

THE LONDON Traded Options Market recorded one of its quietest days this year, with a total of only 26,257 lots changing hands, sharply down on the 40,000 odd contracts traded on an average day. The relatively high proportion of puts, 10,935 compared with 15,322, underscored the generally sobre tone of the market.

Dealers report a continuing nervousness on the part of UK fund managers who, while they are convinced the market will move sharply in one direction or another, are not quite sure on which side of the fence they should park their funds. While this might otherwise be an appropriate time to buy volatility, the bid fever currently infusing the market has pushed implied volatilities well up, making such trades more tricky.

As usual, most active option stock was the FT-SE 100 index, where a total of 4,805 lots were recorded, with puts outnumbering calls by 2,981 to 1,824. One dealer commented that a sell order in the FT-SE futures ascribed to one of the biggest UK fund managers mid-afternoon had enlivened the market, and contributed to a six-point drop in the futures price. Otherwise the trades were directionless, as [illegible] on the first day of a new series.

The index future, in fact, had a relatively active day, with 3,106 contracts on the floor. Traders say the market's movements are generally being led by prices from the futures pit at the moment.

Meanwhile, in the individual options stocks, only four managed to climb above the 1,000 volume level. What activity there was, was concentrated in BAT Industries, where 2,412 options traded. LTOM was unable to give any further breakdown of the figures on this and a number of the other stocks affected by the conversion to a new trade registration system.

Meanwhile, Asda saw volumes of 1961 lots, made up of 1,211 calls and 750 puts.

STC, normally quite a thinly traded stock, was the focus of some interest yesterday, with 1,870 options traded, and 3.7m shares, the latter being around twice the daily average.

[illegible]

Divestments complete as BBA advances to £40.3m

By Clare Pearson

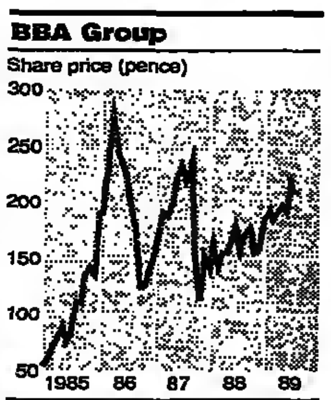
BBA GROUP, tha motor components, industrial materials and aviation parts and services company, lifted pre-tax profits by 45 per cent from £27.8m to £40.3m in the first half of 1989.

Mr Vanni Treves, chairman, *said that in spite of weakening* in several markets, the group's hroad sector and geographical coverage led it to believe the outcome for the current year would show strong progress.

Turoover was £648.5m (£449.1m). Operating margins improved to 8.6 per cent with ongoing businesses achieving margins of 9.2 per cent, up from 7.6 per cent in the comparable period last year.

Influeoced on translation by weaker sterling, net interest paymeots rose to £15.7m (£7.9m). The group said, however, that gearing had declined, and was expected to be about 50 per cent by the year-eod.

After the sale within the last few days of a UK automotive parts distribution company, all planned divestments had now taken place.



Reflecting the dilutive effects of the £220m acquisition of Guthrie Corporation in April last year, earnings per share rose 13 per cent to 10.4p (9.2p). This increase was outpaced by dividend growth of 38 per cent, given a proposed interim dividend *of 2p (1.45p).*

Tha automotive components division, where some 70 per cent of sales arose outside the UK, contrihuted £31.6m (£25.7m) to profits. Heavy demand from the original equipment market continued throughout the period.

Mr Treves said that growth prospects were good in the airport services and aircraft outfitting side, mnch of which came with Guthrie. The division put in £8.3m (£3.9m). New refurbishment facilities, which double capacity, were expected to come on stream early in 1990.

Profits at the industrial division expanded to £16.1m (£6.1m). Initial indications from Intertech, a US industrial textiles concern added in May this year, were excellent, he said.

A flotation of the Australian businesses, accounting for about 15 per cent of the group, is planned for the autumn.

See Lex

Priest Marians chairman to go

By Paul Cheeseright, Property Correspondent

MR SIMON FUSSELL yesterday lost his job as chairman and chief executive of Priest Marians Holdings in a boardroom coup, which was greeted with immediate approval in the City.

The share price of the property group immediately rose 15p and then moved steadily upwards to close 27p higher on the day at 485p.

But Mr Fussell, with 24.8 per cent of the equity, is the biggest single sbareholder in Priest Marians. What he will do with this holding is not clear.

The board would prefer it to be placed among institutions. But the holding could be used as the base for a bid either by Mr Fussell or a hnyer of the shares.

The new chairman is Mr Daniel Auerbach, an accountant who has been a non-executive director and a longstanding business partner of Mr Fussell's.

Differences between Mr Fussell and Mr Auerbach with the other two directors, Mr Michael Gaskell Syms and Mr Philip Ashby, appear to have been building for some months.

"He was out of step with the rest of the board," said Mr Auerbach. "I suppose Simon Fussell is renowned for his volatility."

It had been the pnhlicly-stated aim of Priest Marians to concentrate on running the Langham Estate in central London, purchased in early 1988. But there has also been a series of stock market ventures, including the building up of stakes in Inoco and Marler Estates, culminating in the £111m purchase of Local London Group.

The diversion of activity seems to have been a significant factor in diminishing board confidence in the way Mr Fussell was running the company. Mr Auerbach stressed yesterday that there were no financial problems but said, "the first thing we have to do is to get down the gearing and sell off the peripheral assets".

Priest Marians is selling the greater part of the Local London portfolio and sales have reached nearly £100m. Tbe loan agreements tied np at the *time of the acquisition* necessitate the sales.

Mr Andrew Blurton, the managing director of Local London before the takeover, is joining the Priest Marians board as finance director.

● Priest Marians yesterday sold its holding of 2.3m Randsworth shares at 325p each for a total of £7.5m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Admiral Comput ......int	1.1	Oct 6	0.8	-	2.55
BBA Group ....int	2†⁑	Nov 13	1.45	-	6.45
CCS Group § ....int	0.2	Oct 2	-	-	-
Dudley Jenkins §......fin	2	Sept 1	-	3	-
Flogas § ....fin	4.12♣	-	3.746	6.43	5.848
Molynx Holdings .....int	1	Oct 3	-	-	2.25
NatWest Bank ....int	5.325	Oct 20	4.625*	-	14.125*
Robinson (Thos) ....int	6	Oct 2	4	-	12
Securicor Group .....int	0.44	Sept 29	0.4	-	1.296
Security Servs ....int	0.922	Sept 29	0.838	-	2.498
Unitech ....fin	6.825†	Oct 2	5.9625	10.5	9.065
YRM ....fin	2.55	Oct 13	2	3.8†	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ⁑To lessen disparity; also scrip option. ♣Irish pence.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Barclays, Elkem, Glynwed, Wickes, Yorkshire Chemicals.

Finals- Arlen, Border Television, Dale Electric, Douglas (Robert M), Northamber, Saville Gordon (J), Sommerville (William).

FUTURE DATES

Interims-	
Commercial Union	Aug. 9
Continental & Industrial	Aug. 8
European Home Products	Aug. 17
General Accident	Aug. 16
Isle of Man Steam Packet	Aug. 31
Palma	Aug. 21
Technology Project	Sep. 4
WPP	Aug. 8
Whitegate Leisure	Aug. 15
Finals-	
BCE	Aug. 3
Crown Eyeglass	Aug. 3
Gibbon Lyons	Aug. 3
Lynx	Aug. 3
McKay Securities	Aug. 9
Radiant Metal Finishing	Aug. 3

Alternative proposal gives new twist to BAT bid

By Nikki Tait

A BIZARRE side issne to the £13bn hid by Hoylake for BAT Industries developed yesterday as a *distant cousin* of Sir James Goldsmith instigated a barrage of publicity for what he claims is a cheaper alternative reorganisation proposal for the tobacco-based conglomerate.

The proposal comes from AIM, which claims to be a small mergers and acquisitions business set np in Switzerland 18 months ago. AIM is snggesting that BAT shareholders should call an extraordinary general meeting, and vote to dispose of the company's non-tobacco interests.

The twist is that the publicity is being fronted by Mr Antonio von Marx, a cousin of *Sir James Goldsmith* who worked for various Goldsmith companies in the fairly distant past – a relationship which Hoylake confirmed last night. Mr von Marx is one of four partners at AIM.

AIM appeared to have been in contact with both institntions and the press yesterday. In a letter to institutional ehareholders, it said that "for the last week we have been working 'day and night' to examine details of our proposals". Recipients were urged: "If you feel that our proposals deserve a hearing, may we suggest that yon send the *press release to the Financial* Times or to another Quality Newspaper or simply call them and ask that they get in touch with us."

AIM maintains that it has had a "warm reception" from institutional investors already and, according to one press report, Mr von Marx suggested that the Prudential, Britain's largest institutional investor and a significant BAT shareholder was interested. That brought a sharp retort from the Pru: "We deny that any such interest has been expressed," it said.

AIM also circulated copies of *a letter which it said it was* sending to Mr Pat Sheehy, BAT's chairman, seeking a meeting to explain its proposals. BAT'a response was equally firm: "Absolute rubbish – this looks like another speculative group trying to get in on the act."

And for once, BAT and Hoylake seemed to have some measure of agreement. "I think yon can safely say we're not too worried by this," remarked one member of Hoylake camp.

Hazlitt directors resign en bloc

All five directors of Hazlitt Advertising, part of the Shandwick group, have resigned.

They are to join Citigate, a public relations company formed early last year by former executives of Streets.

Correction
MicroScope

Mr John Lettice is editor of the journal MicroScope, not Microsoft, as stated in an article on Amstrad in the FT on July 27.

Abbey holders complain over lost shares

By Clare Pearson

Lloyds Bank, registrars in the tronble-prone flotation of Abbey National, yesterday estimated about 120,000 shareholders had contacted it over missing certificates and refund cheques in the three weeks since the former building society's flotation.

Some 40,000 people had replied to the press advertisements offering to send replacements which were hurriedly placed last week in an effort to quell the anger among those of Abbey's 5.5m shareholders who had still not received any communication.

Last Friday light was cast on the mysterious reports of non-appearing letters when the police discovered the charred remains of certificates in two skips at the depot of one of Lloyds mailing houses in Deptford, south London.

Lloyds estimates the incineration, to which it was alerted by an anonymous phone call, could account for 30,000 to 100,000 missing certificates. The debris is being forensically examined.

Aside from advertisemeot respondents, 10,000 people have contacted Abbey and Lloyds by letter, 60,000 on replacement forms handed over at Abbey branches, and 10,000 by telephone calls.

Separately, Lloyds has received some 12,000 responses from letters sent out to the 120,000 addresses that it knew had been wrongly addressed as a result of a computer error.

The advertisements are to be repeated for the third time in national newspapers this week. Only those who have not applied for replacements in another way are eligible to answer them. But it seems inevitable there will be some duplication, a Lloyds spokesman admitted yesterday.

TR Trustees

The net asset value of TR Trustees Corporation advanced some 26 per cent from 142.9p to 179.4p over the year to May 31 1989. Earnings per share expanded to 3.29p (1.82p) and a proposed final of 1.8p makes a total of 3p (2.3p).

Profits halved at £352m after higher debt provisions

'Solid performance' by NatWest

By David Barchard

NATIONAL WESTMINSTER, the second largest of the UK clearing banks, yesterday reported pre-tax profits of £352m after making debt provisions totalling £565m, for the first half of 1989.

The result was well below last year's interim pre-tax profit of £702m, when provisions amounted to only £126m. Before provisions, trading profit was £937m.

The results were described as a solid performance by Lord Boardman, chairman, and bank analysts in the City generally agreed. The debt provisions came as little surprise following similar moves by Lloyds last week.

Lord Boardman, said that the bank had allocated £395m against developing country debt, bringing its total problem country provision to £1.34bn or 48 per cent of its £2.8bn exposure in 28 countries. The remaining £150m can be allocated either to international or domestic bad debt.

Total income was up by 14 per cent at £2.61bn (£2.29n). Total group assets at the end of the period stood at £112bn compared with £102bn a year ago. The net interest margin has risen to 3.5 per cent (3.4 per cent).

Group operating costs went up by 13 per cent during the year, but the cost/income ratio of the group fell from 66.6 per cent a year ago, to 65.7 per cent, a change which Lord Boardman described as welcome.

Total employees remained unchanged at 111,000 despite the addition of 1,500 staff in its newly-acquired Spanish subsidiary.

NatWest Investment Bank, the investment and securities arm, which includes County NatWest, reported a profit of £38m compared with a loss of £10m a year ago. This would have been only £7m but for exceptional items, including £25m realised from the sale of its stake in National Freight and a net £6m from Blue Arrow.

Losses on securities operations were £17m, of which £12m came from equities. Mr Howard MacDonald, chief executive of County NatWest, said corporate finance business had fallen slightly because of the Blue Arrow affair, which last week forced the resignation of Lord Boardman and three senior executive directors from the group board.

Mr MacDonald hinted that some cuts might be planned at County NatWest. "There's still very considerable overcapacity but it's our intention to remain in a strong position."

Lombard North Central, the UK finance house, reported profits down to £43m (£58m) and profits at National Westminster Home Loans fell to £39m (£47m). However National Westminster Insurance Services rose to £19m (£14m). Total group mortgage lending is now £8.8bn.

Mr Roger Flemington, chief executive UK Financial Services, said that personal lending had risen by about £1.1bn to £14.89bn. He said that although there was a good underlying performance by the bank's UK operations, provisions against domestic debt were being increased "to reflect the slight unease we all see in the current situation".

The bank's capital ratios remain strong. Its equity to total assets ratio is now 5.5 per cent compared with 4.9 per cent a year ago, though it has fallen from 6.1 per cent at the start of the year. The risk/asset ratio on total capital is 9.7 per cent, against 9.8 per cent at the start of the year, and 8.8 per cent on total capital (8.5 per cent on December 31 1988.)

Earnings per ordinary share were 12p (30p) and an interim dividend of 5.325p per share is declared (4.625p).

Ashley Ashwood

Lord Boardman in conversation with Lord Alexander, his successor as chairman, after announcing lower profits.

Desoutter shares jump after bid approach

By Edward Sussman

DESOUTTER BROTHERS (Holdings), yesterday received a bid approach which could lead to an offer being made for the precision mechanical engineering group.

The shares responded with a jump of 89p to 445p, valuing the company at some £55m.

The group is tightly controlled by the Desoutter family, with about 52 per cent of the equity listed as being in the hands of directors or family members. Any offer would be all but impossible to go ahead without a board recommendation.

Desoutter is one of the few machine tool makers remaining in the UK. It also has interests in West Germany, the US, South Africa, France, Italy, Austria and Spain. Its primary competitors are in West Germany and a bid from a company there is seen as a possibility.

While the company declined to comment, Mr Simon Fraser, an analyst at Barclays de Zoete Wedd, the company's broker, said an offer pitched at 12 times prospective earnings would be a minimum price for the company.

Because Desoutter is uniquely positioned in the UK, an offer as high as 15 times might be possible, be suggested. At yesterday's close, Desoutter was trading at about 11 times prospective earnings.

In March, when Desoutter released its annual results, analysts were forecasting earning per share in the range of 41p, against the 35.5p reached in 1988. Pre-tax profits for that year were £7.39m on turnover of £44.5m.

First Technology buys Ampro staffing for $4m

By Nikki Tait

FIRST TECHNOLOGY, security and safety systems company, yesterday announced the acquisition of Ampro, a Michigan-based company which specialises in supplying skilled staff to the automotive industry.

The price to be paid is a maximum $4m (£2.4m).

The US company keeps a directory of potential engineering and computer staff, on which it drawe to fit the requirements of corporate customers, which inclnde Ford and Chrysler.

First Technology said that it currently has around 100 people out on contract to customers, but that its total personnel base – which includes people currently in full-time employment – stretches to 12,000.

Ampro's pre-tax profits in the six months to end-March were $32,000.

The book value of assets at that date was $150,000.

First Technology is paying an initial $150,000.

Further sums are due if profits reach certain levels in the period to end-April 1991.

Joint venture by Daily Telegraph and EMAP

By Raymond Snoddy

THE DAILY Telegraph and EMAP, the magazine, newspaper and exhibitions group, are setting up a joint venture to launch new exhibitions and conferences.

The idea for the new company, Telegraph Events, grew out of a successful collaboration between the two companies on a number of exhibitions inclnding the Period Homes Show, Bnsiness Finance 89 and the PC User Show.

The Telegraph will pay EMAP an undisclosed capital sum for its expertise in organising exhibitions. Future profits will be split on a 50-50 basis.

EMAP said it was already the second largest organiser of exhibitions in the UK and hoped the joint venture would take it closer to number one.

Mr Len Sanderson, Daily Telegraph advertisement sales director said yesterday: "The launch of Telegraph Events provides us with the opportunity to expand into the exhibition marketplace, organising shows associated with our current 1.13m circulation."

MIL Research Group in bid talks

By Edward Sussman

MIL RESEARCH GROUP, one of the UK's leading market research companies, said yesterday it was in discussions with more than one party which could lead to a recommended offer being made for the company.

MIL shares climbed 41p from 264p to 305p in the course of the day, giving the company a market capitalisation of about £31.5m.

The bid announcement was made at 1:02 pm in the UK in response to the rising share price, the company said.

The most likely bidders are believed to be from the same sector as MIL.

MAI, the financial services and media group, and AGB Research, the market research company, are two of the possibilities mentioned by observers.

Mr Rudolph Goldsmith, the 64-year old MIL chairman and largest shareholder, said he anticipated staying on as chairman no matter what the outcome of the hidding.

Directors' holdings in MIL are about 59 per cent of the *equity.*

In May MIL reported a 46 per cent rise in pre-tax profits to £2.61m for the year to January 31.

This result was struck on turnover of £17.3m.

At the time, house brokers Phillips & Drew forecast earnings per share would move from 15.4p to 20p, giving a prospective multiple of about 12 times.

Typically, other companies in the same sector have p/e ratings in the mid-to-high teens.

MIL has said that on average *it has twice the growth rate* of the market research industry.

CCS profits at £81,000

CCS Group, which provides contract labour to the public and private sector building industries, announced taxable *profits of £81,000 for the six* months to end-May 1989.

The group came to the USM in April following the reverse takeover of Bluemel Brothers, the cycle accessories group which had endured the suspension of its shares for more than three years.

The advance in profits from last time's restated £43,000 was achieved on turnover ahead 27 per cent to £1.72m (£1.36m). Earnings per share expanded to 0.54p (0.31p) and there is a maiden interim of 0.2p.

Cellnet helps boost Securicor to £18m

By Andrew Hill

THE CONTINUING expansion of the Cellnet mobile telephone network helped boost interim profits at Securicor Group and its 51 per cent-owned offshoot Security Services.

Securicor and Security Services own 40 per cent of Cellnet, the balance of which is held by British Telecom. Securicor's profits rose from £11.7m to £18.2m before tax in the half-year to Marcb 31, while Services made nearly £14m (£10m).

For the first time Securicor distinguished between *profits* on Cellnet snbscriptions and calls – which contributed £7.73m before tax – and general communications, including the retailing of Cellnet phones, which lost £1.56m.

Mr Chris Shirtcliffe, finance director of Securicor and Services, said Cellnet units were deliberately being sold at a loss to build np a subscriber base. He claimed that Cellnet now had about 47 per cent of the mobile phone market, with the halance held by Racal Telecom's Vodafone network.

Securicor and Services' core business profits were almost unchanged. The full breakdown for the rest of Securicor showed that the security and parcels division had increased profits to £10.2m (£9.96m) before tax, while the finance, investments and insurance division contributed £907,000 (£643,000).

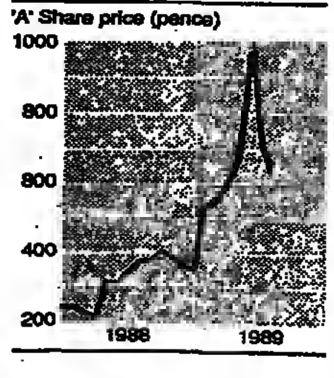
Profits from the botels, vehicles and employment services division declined from £1.29m to £1.01m, after deliveries to Ford commercial vehicle dealerships failed to match sales.

Mr Shirtcliffe said yesterday: "The parcels husiness has grown at a very substantial rate over the last few years but we have been constantly bumping our heads against the ceiling of capacity, particularly in peak periods."

In April, Services, which handles the bulk of the parcels business, launched a £51.1m rights issue aimed at expanding and upgrading its parcels division in the UK and Europe.

Securicor turnover rose from £211m to £237m in the period and earnings per share were up from 4.9p to 7.8p. Securicor's interim dividend was increased to 0.44p (0.4p) per ordinary share. Services' earnings rose from 6.3p to 8.1p and the company declared an interim dividend of 0.922p (0.838p).

Ordinary shares in Securicor fell 5p to 860p yesterday, the more numerous A shares rose from 661p to 663p and Services shares slipped 2p to 561p.



● COMMENT

Securicor and its associate, Security Services, continue, quite justifiably, to enjoy the fruits of their Cellnet investment. That makes the performance of the groups' supposed core businesses seem almost irrelevant – not necessarily a disadvantage given that a hefty investment programme is under way. Mobile telephone profits give them time for that investment without having to worry about slower profits growth elsewhere. The parcels division could start to benefit from new collection and sorting terminals in the UK in the second half of this year, while expansion of the European delivery network should boost the company after 1992. On a long term view, shares in both groups still look reasonably attractive against Racal Telecom, despite apparently astronomical multiples. Forecast pre-tax profits of more than £45m (Securicor) and £34m (Services) for 1989-90, put the Securicor 'A' shares on a prospective p/e of 36 and Services on a multiple of 30.

Purchases will boost overseas turnover

£45m expansion at Albert Fisher

By Philip Coggan

ALBERT FISHER, the fruit and vegetable distributor, yesterday launched a major international expansion via the purchase of a series of food companies for a maximum payment of some £45m.

The deals are being financed via a vendor placing of 36.5m shares at 100p each. Shares in Albert Fisher fell 4p to 102p yesterday.

The companies being acquired are Mitt Parker in the US, Agricommerce in France, Fruitasol in Belgium, Roem van Yerseke and De Leeuw & Cornelisse Beheer in the Netherlands, Quality Food Products Benelux (based in Belgium) and Quality Food Products Luxembourg and 50 per cent of Antonio Munoz (Deutschland).

Tony Millar: chairman of Albert Fisher.

Following the purchases, about 75 per cent of Albert Fisher's turnover will be overseas based with around 40 per cent in the US and 35 per cent in continental Europe. The company has expanded rapidly, largely through acquisition, in the last few years and made pre-tax profits of £33m last year.

Mitt Parker is e fresh prodnce distrihntor based in Atlanta, Georgia, which made pre-tax profits of $724,000 (£436,000) on turnover of $12.7m in the 11 months to May 27 1989.

The initial consideration of £2.1m is payable in cash and further payments of up to £1.8m could be made dependent on future profits.

Albert Fisher already has significant distribution interests in Florida and outlets in Georgia via its Movsovitz subsidiary. Together with its West Coast businesses, Fisher now has an annualised turnover in the US of around $650m.

Agricommerce, Fruitsol and Antonio Munoz (Deutschland) are all distribution subsidiaries of the Antonio Munoz Group, a Spanish fruit producer. Albert Fisher is paying an initial £8.2m with deferred consideration up to a maximum of £8.9m dependant on future profits.

Albert Fishsr has also entered into an agency agreement with Munoz giving it exclusive marketing, sales and distribution rights for Munoz produce in the UK.

Roem and De Leeuw are both shellfish companies making joint profits of Fl 10.2m (£2.9m) last year. Joint consideration is Fl 56.5m, mainly payable in cash.

The two Quality Foods companies import and distribute branded food products in the Benelux countries. Pre-tax profits last year were Bfr 6.5m (£96,000) and the initial consideration is Bfr 35m.

Brian Henderson: seeking further acquisitions.

YRM plans acquisitions as profits hit £2.66m

By Andrew Hill

YRM, the building design consultancy, increased pre-tax profits by 27 per cent from £2.1m to £2.66m in the year to April 30 1989.

The results included a first contribution from Anthony Hunt Associates, the structural and civil engineer which YRM bought in December for up to £1.6m in cash and shares. Since then, AHA, which was YRM's first acquisition, has made £192,000, earning its vendors £400,000 in deferred payments.

YRM architects were currently working on a large office development at Snow Hill in Birmingham, a business park in Solihull and a project at Birmingham New Street rail station.

Other major commissions for the group included Cunard Honsa, London, for YRM's building services engineers. They were also working with the group's structural and civil engineers on the development of new studios and support facilities for the BBC at White City.

Mr Brian Henderson, who has just taken over as YRM's chairman, said the group intended to follow up the AHA acquisition with similar additions to its three other divisions.

Mr Henderson said a prudent acquisition policy would help YRM avoid the pitfalls into which a number of other quoted building design practices had fallen. The practice, which has just opened its first regional office in Milton Keynes, would also grow organically, he added.

YRM's architecture and planning division accounted for about 44 per cent of turnover in 1988-89, building services engineering for 33 per cent and interior design for 8 per cent. The balance of 14 or 15 per cent came from structural and civil engineering, but the figure only included a four month contribution from AHA.

Group turnover was up to £19.5m (£13.3m). Earnings per share increased from 10.75p to 13.12p, and a final dividend of 2.55p makes 3.8p (3p) for the year.

Restructured Unitech sees 50% rise to over £22m

By Vanessa Houlder

UNITECH, the electronics components manufacturer, yesterday announced pre-tax profits of £22.1m for the year to June 3, a period that has seen a radical restructuring of its business.

The profits, which were scored on turnover of £269.18m (£217.29m), showed an increase of 50 per cent on the previous year's £14.74m.

They included eight months' contributions from the distribution companies sold in January and five months results of Veeco Instruments, a US power supply manufacturer purchased for $327m last November.

Mr Peter Curry, chairman, said that UK and US demand was relatively flat, as a result of relatively high interest rates and weak demand in the military market in the US and in the financial sector in the UK. However, he said there were encouraging prospects in France, West Germany and Japan.

There was an extraordinary credit of £36.62m (£566,000), which chiefly resulted from the sale of the three distribution companies and its shareholding in Metrologie.

At the year end, net debt was £88m – 155 per cent of net assets. Interest costs less investment income rose from £1.47m to £3.04m. The debt is expected to be reduced through further asset sales.

The profits breakdown was: power supplies £12.13m; connectors and special products £5.71m; control products £2.83m; instruments £567,000; distribution £1.41m; other, including holding company (£534,000).

Earnings per share increased from 19.8p to 20.4p. A final dividend of 6.825p is recommended, making a total of 10.5p – an increase of 15 per cent.

● COMMENT

Last summer, the City was predicting a rather sluggish and unexciting year for Unitech. It turned out to be anything but. With the help of £50m raised by issuing a large slug of shares to Elektrowatt, a Swiss electricity company, it embarked on a flurry of major deals that moved it away from distribution and further into manufacturing. The City is generally impressed by both price and logic of the deals. However, its approval is not the sole factor underpinning the share price's meteoric 83 per cent rise this year. Even more attention has been focused on the 8.7 per cent stake taken by Mr Tito Tettamanti, a Swiss financier, and the intentions of Elektrowatt when it is freed to bid or sell its shares in August 1990. After yesterday's results, which were in line with expectations, the shares dropped 7p to 347p. Even so, there is still plenty of bid speculation reflected in the price, which assuming the company makes £30m this year, are on a p/e of 14.5.

Thorntons pays £6.65m for French retailers

By Philip Coggan

Thorntons, the confectionery retailer and manufacturer, has conditionally agreed to buy two French retailers for a cash consideration of FFr 90m (£8.65m).

Mr John Thornton, chairman and chief executive, said that "expansion within Europe is a key part of our retail strategy". The company has already acquired Gartner Pralines, a Belgian confectionery group, since it floated on the main market last year.

The companies being acquired are the Candice group, which has 55 outlets trading mainly under the Candice, Martial and Sunset names, and Sociate Nouvelle de Confiserie, which has 11 outlets in Normandy and Brittany.

Candice, founded in 1970, was acquired by Rowntree in 1987 which in turn was bought by Nestlé last year. It lost FFr 7.9m before tax in 1988 but trading in the current year shows a significant improvement. Consideration is FFr 80m, of which FFr 18.8m will be used to repay intra-company debt.

Thorntons did not disclose SNC's profitability.

Dudley Jenkins rises to £0.53m

FURTHER EXPANSION is in hand at Dudley Jenkins Group, the USM-quoted list broker, with three acquisitions which could cost £2.65m. This follows a 30 per cent increase in pre-tax profits for the year ended April 30 1989.

The acquisitions are two Brockdorff Companies for an initial £750,000 (in 663,717 shares) and a maximum £1.95m, and Dowerhill Group for an initial £80,000 (58,333 shares and £10,000 cash) and a maximum £700,000. The deferred element is payable over the next two years.

Turnover at Dudley Jenkins rose 38 per cent to £5.48m (£4.11m) and the pre-tax profit to £531,000 (£408,000). Earnings worked through at 7.48p (6.94p) and the final dividend is 2p for a total of 3p.

Mr Tylan Bahcheli, chairman, said sales continued to grow throughout the year and extra staff was recruited to deal with that.

The proposed acquisitions will enlarge the range of services offered to the direct mail and marketing sector, and he was confident of the group's future in its enlarged form.

Brockdorff supplies packaging to the direct mail and mail order industries and mail material on behalf of publishers. Dowerhill is a data preparation business.

Dudley Jenkins is also raising some £520,000 net through the issue of 584,854 shares to reduce borrowings of the two companies and to provide extra working capital.

Together with 663,717 consideration shares not retained by the vendors, these will he offered to Dudley Jenkins shareholders at 118p each on the basis of 2-for-7.

Mrs Sue Brigham is currently on maternity leave and has resigned from the board.

Admiral Computing grows

By Edward Sussman

ADMIRAL COMPUTING, the software house and computer consultancy, boosted taxable profits by 96 per cent in the six months to June 30.

Mr Clay Brendish, chairman, said the results reflected a substantial increase in the order book, with new clients including Standard Chartered Bank and the Sonth Yorkshire Police.

Pre-tax profits of £1.1m (£562,000) were recorded on turnover of £7.2m (£4.5m). Earnings per share followed course with an 85 per cent rise to 6.1p (3.3p).

The interim dividend is raised 38 per cent to 1.1p (0.8p). The group remained in a net cash position, with £2.6m on the books.

The tax charge nearly doubled to £453,000 (£232,000) and net interest receivahle moved ahead from £96,000 to £127,000.

Molynx reports 75% advance

Molynx Holdings traded strongly across its operations in the first half of 1989, resulting in a 75 per cent advance in pre-tax profits.

Mr Eric Walters, chairman of this closed circuit television security and surveillance group, said he was expecting a good second half.

The profit was £667,000 (£381,000), struck on turnover 78 per cent higher at £5.62m (£3.15m). Lloret Electrical Systems, acquired last October, also traded strongly.

Earnings came ont at 5.9p (4.8p) and there is maiden interim dividend, as promised, of 1p.

African Lakes profits surge

African Lakes Corporation, engaged in general trading, service industries, mining and agriculture, reported half year pre-tax profits of £586,540 against £39,185.

The chairman refrained from making a forecast for the full year, as it was difficult to forecast the results for the agricultural activities.

Turnover amounted to £17.56m (£10.07m). Earnings per share emerged at 3.9p (0.14p).

James Finlay agrees sale of UK oil and gas side

By Philip Coggan

JAMES FINLAY, the overseas trader, said at its annual meeting that it had reached agreement in principle to sell its UK oil and gas interests.

The company did not disclose an agreed price but said that the oil and gas assets were producing little in the way of cash.

Finlay also said that it was negotiating on the sale of its stake in Seaforth Maritime, the shipping group.

Referring to the tea side, Finlay said that prices for Kenya teas were over 10 per cent higher, although crops were 7 per cent down on last year.

An early season drought in Bangladesh had pushed down crops by 30 per cent compared with the previous year but the company hoped to make up the deficit.

Transrap marks time at £730,000

Transrap Holdings, the USM-quoted plastics and packaging group, reported a marginal increase in pre-tax profits, from £726,000 to £730,000, despite a £1.6m improvement to £7.7m in turnover for the year to March 31.

Earnings per 10p share were down from 4.59p to 4.34p. The recommended final dividend is 1p making a total of 2p (0.5p).

Thos Robinson advances to over £10m and calls for £38m

By Edward Sussman

THOMAS ROBINSON, the engineering company which last year failed in its £226m bid for John Crowther, the textiles group, yesterday unveiled plans for a £38m underwritten rights issue aimed at fuelling more acquisitions.

Along with the issue – on a one-for-three basis at 405p per share – the company announced pre-tax profits for six months to June 30 up 38 per cent to £10.2m (£7.4m).

Fully diluted earnings per share rose 20 per cent from 20.5p to 24.8p after a heavier tax charge.

The results were at the top end of expectations, but the shares lost 29p to 476p as the market adjusted to the disconted price of the rights.

Turnover rose from £79.8m to £133m, reflecting contributions from several acquisitions made in the first half.

Mr Graham Rudd, chairman, said the company expected to make a series of smaller sized acquisitions by the end of September. These "Bolt on" purchases which complemented existing divisions were more likely than a single, substantial acquisition, he said.

Robinson did not plan to sit on the funds to take advantage of high interest rates. While gearing in July stood at 82 per cent, compared with 77 per cent in March, Mr Rudd said interest payable was still covered by about five times. Net debt at June 30 stood at £30.68m.

No divisional breakdown was reported for the six months, but Mr Rudd said gains were recorded across the board. After a strong surge last year, order books for the wood-working division were now somewhat behind, he added.

The interim dividend is being increased from 4p to 6p on the existing capital. A three-for-one scrip issue is also planned in October, after the rights.

● COMMENT

Robinson's share price still suffers from doubts created by its unsuccessful bid for Crowther – which explains the heavy discount in the rights issue pricing to bolster its appeal. At 405p the rights is on a p/e of 7 compared with the historical 10. Even at the latter level, Robinson is well below the market and analysts say that discount is a little unkind for a group with steady earnings growth above 20 per cent. Whether Robinson can move closer to a market rating is heavily dependent on the quality of the acquisitions it plans over the next few weeks. Without strong performers some analysts fear a dilution of as much as 10 per cent resulting from the rights issue. Pre-tax profit forecasts for the full year range from £24m to £26m, giving a prospective multiple of about 8.5. A better showing with Robinson's latest acquisition plans might go a long way toward nailing shut its Crowther coffin.

SHARE STAKES

CHANGES in share stakes announced recently include:

Alba: JE Harris, chairman, has acquired 25,000 ordinary at 93p cash. His beneficial holding now amounts to 8.5m Alba ordinary (22.98 per cent).

Andaman Resources: Glencar Explorations has acquired a further 123,000 shares at 38p, taking its holding to 745,310 shares (25.16 per cent).

Avon Rubber: Scottish Amicable Investment Managers now holds 914,650 shares.

Associated Farmers: Brit-N and NW Brown are together interested in 187,500 shares (3.28 per cent).

Associated Fisheries has bought in 400,000 shares at 169.5p for cancellation.

Aukett Associates: changes in directors' holdings – PA Tompson has disposed of 140,000 ordinary (1.16 per cent) at 125p, reducing holding to 917,624 (7.59 per cent); GKT Deighton has disposed of 160,000 ordinary (1.32 per cent) at 125p, reducing holding to 1.34m (11.06 per cent); MC Aukett has disposed of 200,000 ordinary (1.65 per cent) at 125p, bringing holding to 2.53m (20.92 per cent).

Avesco: WH Fulton, a director, has sold rights in respect of 59,000 new ordinary, provisionally allotted nil paid and in which he is beneficially interested, at 30p. MR Bauer, a former director, has exercised his right under the option to purchase from RA Murray-Obodynski, chairman, 230,000 ordinary at 41p per share.

CH Bailey: Christopher H Bailey, chairman, has acquired 2.5m shares at 11.75p each bringing his total holding to 7.33m (13.33 per cent). He also acquired 45,000 B ordinary (0.92 per cent) at 50p each, and now holds 2.51m B (50.29 per cent). Mr Bailey and his associates' total voting interest is now 48.5 per cent.

Bardon Group: The settlement of CRM Radcliffe, deceased, has sold 50,000 ordinary. After this transaction PWG Toms total non-beneficial interest in the ordinary shares is 3.68m (5.35 per cent).

Barlows: David G Fildes, a director, has acquired 2,500 ordinary (0.02 per cent). His holding now stands at 1.34m shares (10.05 per cent).

Bensons Crisps: WG Brant, a director, has sold 50,000 ordinary at 147p and now holds 442,000 (5.9 per cent).

Black Arrow Group: Shares held in discretionary investment portfolios managed or advised by Mercury Asset Management Group have been increased by 40,000 ordinary, making 5.67m ordinary (23.04 per cent of voting rights).

BPP Holdings: Kleinwort Benson Investment Management has acquired 534,000 ordinary (5.42 per cent).

Brunner Investment: Directors TBH Brunner and CE Wilkinson hava transferred 247,725 ordinary (0.4 per cent) into the sole name of Miss FL Brunner. As a consequence Mr Brunner's trustee holding has been reduced from 3.79m to 3.55m ordinary (5.5 per cent). Mr Wilkinson's stake has been reduced to 7.05m ordinary (11 per cent).

A F Bulgin: Mr Robert E Bulgin has disposed of 20,000 'A' non-voting ordinary stock at 26p each. His total holding is now 199,800 ordinary (9.99 per cent) and 23,022 'A' non-voting ordinary (0.089 per cent).

Butler Cox: Kleinwort Benson Investment Management now has an interest in 275,000 ordinary (5.16 per cent).

Chemoxy International: Water Authorities Superannuation Fund has disposed of its total holding of 245,000 ordinary (8.32 per cent) at 237p.

Clarke Hooper: BK Clarke, chairman, has sold 50,000 ordinary at 183p and JC Hooper, managing director, has disposed of 80,000 at the same price. They retain heneficial interests in 1.41m and 1.33m shares respectively.

DBS profit doubled

DBS Management, the independent network of financial intermediaries, saw pre-tax profits more than double from £75,000 to £152,000 in the year to March 31 1989.

Turnover rose 50 per cent to £631,000 (£420,000) and membership increased from 100 to 150. Full benefits of the expansion will be felt in the current year.

Earnings came to 4.4p (2.1p) and the dividend is a same-again 2p.

Simon Group buys

The Simon Group is expanding its pneumatic conveying activities with the purchase of Vac-U-Max (Holdings), of Stockport, Greater Manchester, for £1.9m.

In combination, the two companies will be able to offer process technology covering all aspects of pneumatic conveying and be able to compete in every market sector.

London Share Service

With effect from today a new category of Transport stocks has been created within the FT London Share Service.

In addition to the stocks previously listed under Shipping, the new category includes the shares of all the other leading companies whose primary businesses include the handling, movement and distribution of freight. These stocks have np to now been dispersed under several other headings.

The change is intended to provide a better service to readers by displaying more conveniently the shares of companies which make up the freight transportation and distribution industry.

Amalgamation of the stocks traditionally listed under Shipping with those included under the new Transport heading also reflects the contraction in recent years of the number of companies active primarily in shipping alone.

COMMODITIES AND AGRICULTURE

Costs must be cut for American farmers to compete

Nancy Dunne continues her series on the shaping of US farm policy

MR Sever Peterson, a self-described "dirt-ball farmer from Minnesota," early this year returned from a 4,000 mile trek across southern Brazil convinced that US agriculture officials have it wrong in asserting that American farmers can easily compete in a free market.

Journeying from one farm to another, he met many Brazilian farmers producing 50 bushels of soyabeans an acre, on low-cost land, using cheap labour and equipment that can hardly be called state-of-the-art. In a good year, Mr Peterson wrings 45 soyabean bushels an acre from his 1,700 acre spread.

The difference is only partly the favourable climate, said Mr Peterson. It is also Brazil's rich virgin soil which requires little or no application of expensive fertilisers, herbicides and pesticides - inputs which last year accounted for 9 per cent of the production costs of US farmers.

If Mr Peterson and other analysts are correct, American farmers must find a way to cut costs if they are to compete in world markets without government export subsidies.

This concern and a growing worry about the condition of the once-rich American soil and water supplies is spurring interest in Washington in what is now called "low input, sustainable agriculture" (Lisa).

Lisa is an outgrowth of "organic farming" – a practice seen until recent years as "trendy" and ridiculed among conventional farm groups. The goal of Lisa is to encourage a farm system which provides sufficient productivity while discouraging an over-reliance on agricultural chemicals and non-renewable resources. Its adherents believe low-input sustainable agriculture could reduce costs by substituting home grown resources and higher levels of labour and management.

In the view of Congressman George Brown Jr, chairman of the sub-committee overseeing agriculture research, Lisa could provide the "new vision" US agriculture needs because its current structure is not sustainable - politically, economically or ecologically.

The American public, which has been sympathetic to the plight of the "family farmer," is believed to be impatient with the billions of dollars poured into subsidies, most of which goes to large producers. In spite of generous government payments, poverty and

Clayton Yeutter: strong environmental provision

homelessness still range over the country's heartland.

Government policy encouraged "fence-row to fence-row" planting in the 1970s and the overproduction of the 1980s. American farmers increased output by pouring environmentally-damaging chemicals on their fields and abandoning the conservation practices of the past.

While it has promoted cheap agriculture exports, the 1985 farm programme has only intensified the sector's long-term troubles, say Lisa supporters. Agriculture is becoming a monoculture with high concentrations of specialised livestock facilities and larger farms benefiting from economies of scale.

There is no longer the traditional diversity of crop and animal enterprises on farms to promote economic stability and provide natural fertilisers. Concentration of livestock production on enormous feed lots may be efficient but it has produced waste disposal problems instead of a valuable resource.

Research under the Lisa programme began last year and is likely to be expanded from its initial $4.5m grant in the 1990 farm bill.

In fact, if some farm groups have their way, Lisa, instead of export measures, will become the focus of the entire farm programme.

Dr Raymond Weil, a soil scientist at the University of Maryland, warned Congressman Brown's sub-committee that unless the Farm Bill is developed around the criteria of sustainability, the programme will become "riddled with inconsistent provisions working at cross purposes."

In the past, farmers have foregone crop rotation partly because price supports each year are based on previous years' production, he said. Supports also tend to take some risk out of heavy investment in production inputs and help pay for higher levels of synthetic inputs.

There is little disagreement in Washington that farm policies must be changed to give farmers more flexibility in making planting decisions. Mr Clayton Yeutter, the US agriculture secretary, sees it in terms of allowing farmers to respond to the signals of the marketplace. But he also calls for a strong environmental provision in the Farm Bill.

"The areas of low input sustainable agriculture and best management practices will also receive close examination as a means of addressing groundwater quality," he said in recent testimony.

Dr Dennis Keeney, an agronomy professor at Iowa State University, sees flexibility as the key to allowing crop rotations and reducing the "overwhelming stress" on the need to grow export crops.

Other agronomists say the technologies supporting specialisation are increasingly less effective. Dr John Ikerd, a professor of agriculture economics at the University of Missouri, believes insects are becoming resistant to insecticides or require a higher rate of application.

Once-fertile soil has lost organic matter and natural fertility through monocropping or maize/soyabean rotations year after year. The loss of organic matter means roots are less able to hold water and nutrients. More and more chemicals, with their attendant health risks, are required.

With the agriculture committee preparing to pour new billions into declining rural economies, Lisa adherents say a return to local diversified farming and "niche marketing" would itself spur a revival of small agribusiness activity. Instead of farmers buying in large quantities of inputs from distant suppliers and selling raw commodities to large processors in distant markets, they could buy and sell in local markets. They see diversified farming as a means of reclaiming American farmland as well as a potential solution for the nation's disappearing small farmers – providing the producers can relearn the techniques of the past and adapt them to modern advances.

The first article in this series was published on Friday July 28

Milk Board plans pricing reforms

By Bridget Bloom, Agriculture Correspondent

RADICAL changes in the way the Milk Marketing Board of England and Wales prices the milk it buys from farmers were presaged yesterday by the Board's Chairman, Mr Bob Stevens.

Mr Stevens told the annual general meeting in London that the arrangements governing milk pricing no longer "recognise the circumstances of the market place" nor "acknowledge the basic rules of supply and demand."

The Board's intention was to "seek reform" of the present system, which involves annual price fixing negotiations between the MMB and the Dairy Trades Federation through the Common Approach to Financial Information (CATFI).

Under the present system, a basic price is set for liquid milk, with prices for milk for processing into cream, confectionery, cheese, butter and other products being set below the liquid milk price.

Although MMB officials would not comment in detail, the Board appears to be considering shifting to a tender system under which dairies and processors would be free to tender for supplies unrelated to end use. "If someone felt like offering a higher price for milk to turn into cheddar cheese rather than bottle for the doorstep they could do so," an official explained.

The timing of the change will be dependent upon negotiations with the Dairy Trades Federation, which comprises the major dairy companies and processors. Talks are taking place in parallel with the annual price fixing negotiations, due for completion in the autumn.

Yesterday an official of Dairy Crest, which is wholly owned by the MMB, said that he expected the doorstep price of milk would rise by 1p or 2p a pint as a result of the price talks, as well as the summer's drought reducing supplies.

However, the MMB was unwilling to speculate on the effect on doorstep prices of a tendering system, were it to be agreed in the autumn, except to say that it would be "much more flexible" than the present arrangements.

The MMB's decision to change its pricing system is a direct result of increasing pressure from both the domestic and the international milk market over the five years since the European Community introduced quotas on milk production.

Of particular importance has been EC legislation which is now establishing a single market in milk across the community, an obvious threat to the Board's monopoly. However, that monopoly is also under challenge from an increasing if still small number of dairy farmers irked by the restrictions placed on them by the MMB, as well as by competitor industries elsewhere in the EC.

A helping hand towards self-sufficiency in the Himalayas

Alastair Guild reports on the aid Nepalese farmers receive from the Agricultural Development Bank

SARASWATI POUDEL was busy with her bees. Her bees were busy too as the honey making season drew near. She expected her six hives to yield 5 kg of the sticky stuff, fetching Rs70 a kilogram in the market. She also keeps over 80 chickens, buying more hens with the money from the sale of eggs.

Yet eight months before, this mother of three, living in a small village in the south east of Nepal, had neither poultry nor bees, but worked as a housemaid and helped to cultivate other people's land. Then she joined a Small Farmers Development Project started by Nepal's Agricultural Development Bank (ADBN).

The local SFDP training centre gave her guidance in bee keeping, the bank supplied the hives, subsidised 50 per cent of the cost and provided a small loan of Rs3,500 for the purchase of bees, poultry and fencing, repayable at 18 per cent over five years.

"Now I feel independent," she said. "Repayments are a hard burden, but we want to repay as soon as possible, so we can be free. Now no landlord can dominate me or my family." She hopes eventually to buy a field for paddy and wheat.

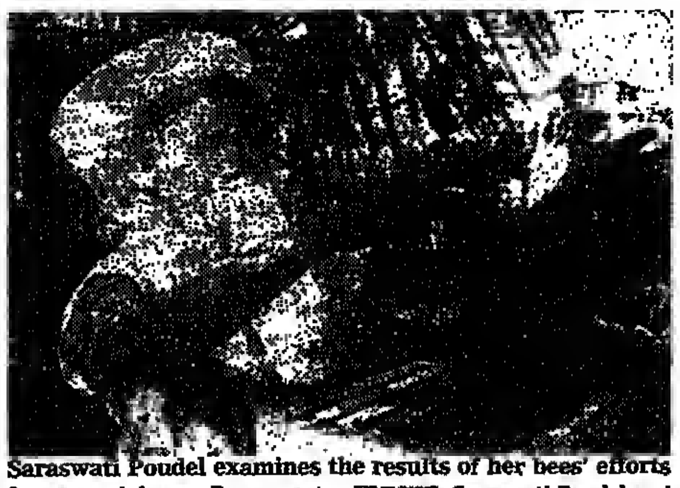
Her husband is borrowing from the ADBN also, to grow banana and coconut trees on 6 hectares at the back of their house. He expects the unit to be self-supporting within five years.

He is a member too of a group which runs an ADBN-supported agro-forestry nursery just along the track from their house. Species such as sisoo and ipil ipil are transplanted onto the hill behind the nursery or distributed throughout the district. Profits are placed in a group revolving fund which members then use for further cultivation.

Over 40 per cent of the ADBN's borrowers start with an annual income below Rs1,200 (£30), and though not totally landless, commonly own less than half a hectare. The bank has so far reached 70,000 of these poor farmers through over 300 small farmer development projects across the country, and the number of SFDPs is increasing by more than 40 a year.

The bank will lend to individuals but it must be a group decision to borrow. Individually small farmers are weak. As a group they can build a broad range of expertise, each member developing the skills at which he feels best.

The success of this policy is reflected in the bank's 80 per cent recovery rate for collateral-free loans among the poorest farmers, far above that achieved by commercial banks for secured loans. Repayment periods depend on the income flow from a scheme, ranging from 10 months for a loan to grow rice, for example, to five years for buffalo rearing.



Saraswati Poudel examines the results of her bees' efforts

But credit alone would not help farmers to rise above the poverty line and stay there, according to Sri Krishna Upadhyaya, the bank's chairman. It aims to help small farmers by providing also training and assistance with crop cultivation and marketing, advice on child health, a vaccination and oral rehydration programme and support for improvements to drinking water supplies. Much of this assistance is supported by agencies such as UNICEF. Saraswati Poudel and her husband contributed Rs150 towards a latrine costing Rs1,000.

Adult literacy rates are low, with 27 per cent of borrowers unable to read. The bank's own audio visual unit produces videos on agricultural topics which are then shown in village centres. But the bank, which also distributes written material and advice for farmers, runs adult literacy classes, and claims to have taught 18,000 farmers how to read.

The introduction of new technology is another important element of the bank's support activities. Officers from five appropriate technology units set up across Nepal carry out tests in the field, and once a device is proven the bank provides loans to farmers to purchase and training in how to use a device.

These ATUs initially bought 300 rower pumps developed in Bangladesh, for example, and now 4,000 have been installed. The total cost of a tube well run with a rower pump is Rs1,500, but each is capable of increasing productivity and cropping density over 0.5ha. Smokeless ovens made with locally available materials are another example of appropriate technology promoted by the bank.

A Nepalese woman spending a day in her kitchen will inhale the equivalent of two packets of cigarettes from smoke from the traditional open fire, which also uses 30 per cent more fuel than the smokeless oven.

Small water turbine sets are yet another example. These are being installed in hill areas for rice processing and grinding of wheat and maize during the day, running a generator at night for lighting.

Demand for the ADBN's services is expected to grow. Its disbursement rate is expected to grow from Rs660m last year to more than Rs1bn in 1990. It has been opening commercial banking branches in urban areas over the past three years in an attempt to reverse the flow of resources away from the countryside to towns, and plans to provide banking services outside the towns to encourage saving among the rural population. Nepalese commercial banks have proved slow in responding to the needs of the rural poor.

Deposits increased from Rs568m in 1988 to over Rs800m this year. It already offers fully computerised banking in Kathmandu, and plans to automate all major branches outside the capital with the support of UNDP, the International Fund for Agricultural Development and the Asian Development Bank.

The larger borrowers – the bank makes loans to individuals of up to Rs20,000 - cross subsidise loans to the poor. The bank's target is to increase the poorest farmer's income through its investment package from Rs1,200 to Rs2,500. At that point, he should be self reliant and eligible for loans from a commercial bank.

The bank is not without its critics, however. They say its lending activities reflect Nepal's deeply entrenched Hindu caste system. It tends to be farmers belonging to the higher castes, particularly Brahmins, who benefit. It is also less effective in reaching cultivators in marginal hill and mountain areas.

Water mill kits, Page 29

Bougainville may reopen

REPAIRS will begin to the Bougainville copper mine in Papua New Guinea on Friday, Prime Minister Rabbie Namaliu said yesterday, reports Reuter from Port Moresby.

He expected production, halted on May 15 after months of sabotage by separatist rebels, to resume in three or four weeks. Mr Namaliu earlier met Bougainville executives to set a timetable for reopening.

A Bougainville official in Melbourne said the company could only confirm that repairs to damaged equipment around the huge open cast mine would start on Friday.

The commander of security forces on the island of Bougainville, Colonel Lima Dotaona, had earlier told the Government that the mine was now secure.

WEEKLY METALS PRICES

Prices supplied by Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,725-1,825 (1,775-1,900).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.50-4.90 (4.70-5.00).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.50-4.90 (4.70-5.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.40-7.60 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 230-245 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.43-3.47 (3.47-3.50).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.20-5.80 (5.40-6.00).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 48-62 (50-63).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 5.45-5.75 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.60 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

THE RALLY in aluminium prices continued yesterday as traders continued to react to Monday's news of a sharp fall in London Metal Exchange warehouse stocks. Having broken through chart resistance on Monday the LME's three months delivery position advanced another $24.50 to $1,805.50 a tonne. And concern about nearby supplies widened the cash premium over three months to $10.50 a tonne from Monday's $4. At Friday's close there had been a cash discount of $8 a tonne. The LME tin market also continued its rally, with cash metal putting on $120 to $9,695 a tonne. Dealers attributed the rise from recent purchases known to merchant firm buying in the Kuala Lumpur market. September coffee futures dipped to £737 a tonne before steadying to finish unchanged on the day.

SPOT MARKETS

[illegible]

COCOA £/tonne

[illegible]

COFFEE £/tonne

[illegible]

SUGAR ($ per tonne)

[illegible]

CRUDE OIL $/barrel

[illegible]

GAS OIL $/tonne

[illegible]

COTTON

Liverpool- Spot and Shipment sales for the week ended July 28 amounted to 196 tonnes against 9 tonnes in the previous week. Slow trading occurred with interest in Israeli, American, West African and Pakistan growths.

JUTE

c and f Dundee: BTC $505, BWC $525, BTD $475, BWD $495. c and f Antwerp: BTC $500, BWC $500, BWD $495, BTD $495.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

[illegible]

POTATOES £/tonne

[illegible]

SOYABEAN MEAL £/tonne

[illegible]

FREIGHT FUTURES $10/index point

[illegible]

GRAINS £/tonne

[illegible]

PIGS (Cash Settlement) p/kg

[illegible]

LONDON BULLION MARKET

[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

LONDON FOX TRADED OPTIONS

[illegible]

US MARKETS

IN THE METALS, sideways action was featured in the gold and silver markets, reports Drexel Burnham Lambert. Prices closed near unchanged in both. Copper and platinum futures were both quiet. In the softs, sugar sank 53 basis points as commission house and trade selling elected sell stops. Speculative selling was seen in the cocoa market. Heavy switch activity was also noted as trading volume exceeded 8000 for the session. Short covering and price fixing were featured in the coffee. The September futures rebounded to close up 336. The grains were all uneventful as prices swayed around unchanged for most of the day. In the livestocks, lower cash prices and high storage stocks weighed on the belly market. Live hogs were down as packers have adequate supplies on hand. Cattle prices eased on the light seasonal demand. The energy markets were all lower as Mondays storm headed away from offshore platforms keeping production intact.

New York

[illegible]

INDICES

[illegible]

Chicago

[illegible]

LONDON STOCK EXCHANGE

Bid stock concerns unsettle equities

A UK stock market lacking conviction in its own recent strength proved an easy prey yesterday to worries surrounding the clutch of large bid situations which underpinned last week's advance.

The most significant blow was the news that the £13bn bid for BAT Industries from Hoylake, Sir James Goldsmith's investment vehicle, could face extended delay in the US courts. The market was also disappointed by the non-appearance of new GEC/Siemens terms for Plessey and this undermined some of the more optimistic speculators in the electronics sector.

These worries left the rest of the market to react nervously to factors closer to its own heart. Equity turnover was modest and share prices made no sustained recovery from the effects of an early sell programme, reportedly from the UK trading house which led the selling of the Footsie futures contract late on Monday; traders at County NatWest could not confirm that they had operated a trading programme.

Share prices quickly tailed off after opening firmly on the back of Wall Street's overnight gain. Except for a few moments, the market spent the day in minus territory, but rallied from its low of 11 points down on the Footsie scale when Wall Street began to move up in early trading. A softening in the pound was largely ignored yesterday.

The FT-SE Index closed a net 4.7 off at 2,292.3 with the FT-SE 2,300 mark, regained last week, tantalisingly out of the reach of yesterday's market. Seaq volume of 413.5m shares at 5.00pm was slightly lagging behind the previous session.

A part of yesterday's setback could fairly be ascribed to the heavy fall in BAT stock as the market began to fear that Hoylake's current bid may be killed by protracted delays in the US courts. This could mean a fall in the BAT price to below £8 a share from the current £8.54p, according to some analysts.

At the same time, disappointment with the absence of a new bid for Plessey was not soothed when UBS-Phillips & Drew, Plessey's broker, claimed a takeover value of more than 350p for the electronics group; some analysts fear that GEC/Siemens may offer less than the current share price of 271p when they unveil their new terms.

Beneath the burden of unease, blue chips performed quite well and some good two way investment business was reported. The banking sector held steady as National Westminster followed the trend by banks to increased provisions against LDC loans. Pharmaceutical stocks continued to respond to the potential bid developments in the US industry, while ICI, a notable absentee from last week's list of share gains, found a few buyers yesterday.

Account Dealing Dates

*First Dealings:	Jul 17	Jul 31	Aug 14
Option Declarations:	Jul 27	Aug 10	Aug 31
Last Dealings:	Jul 28	Aug 11	Sep 1
Account Day:	Aug 7	Aug 21	Sep 11

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Aug 1	July 31	July 28	July 27	July 26	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.20	87.32	87.15	87.07	86.70	88.02	89.29 (6/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.17	97.43	97.23	97.14	97.03	97.54	99.50 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1909.8	1912.1	1924.8	1902.5	1885.5	1481.4	1924.8 (28/7)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	192.0	187.5	193.6	193.2	193.9	198.3	208.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2292.3	2297.0	2306.0	2283.7	2264.5	1855.5	2306.0 (28/7)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.28	4.28	4.25	4.30	4.28	4.55				
Earning Yld %(full)	9.97	9.96	9.91	10.04	9.99	11.53				
P/E Ratio(Net)(*)	12.05	12.04	12.13	11.97	12.03	10.57				
SEAQ Bargains(5pm)	26,362	30,923	34,112	26,445	21,252	22,970				
Equity Turnover(£m)†	-	N/A	1467.92	1330.28	1023.74	971.90				
Equity Bargains†	-	N/A	37,495	29,888	25,879	25,483				
Shares Traded (ml)†	-	N/A	555.8	451.8	341.4	377.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. o Nil 11.83

Ordinary Share Index, Hourly changes — Day's High 1915.6 — Day's Low 1902.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1910.0	1914.2	1911.4	1907.4	1907.9	1905.1	1910.4	1906.1

FT-SE, Hourly changes — Day's High 2297.5 — Day's Low 2284.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2292.4	2296.2	2291.9	2289.0	2290.7	2287.8	2289.4	2287.6

S.E. ACTIVITY

Indices	July 31	July 28
Gilt Edged Bargains	88.2	89.6
Equity Bargains	N/A	242.7
Equity Value	N/A	2007.5
5-Day average		
Gilt Edged Bargains	88.0	85.9
Equity Bargains	N/A	196.0
Equity Value	N/A	2683.6

SE Activity 1974. †Excluding intra-market business. London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. & Comm.	1,200	171	-2	GKN	1,200	435	-7	Plessey	1,700	271	+1	Tarmac	301	306	
Brit. Aerospace	1,200	694	-13	Guinness	1,700	541	+4	Polly Peck Intl.	873	308	+4	Tate & Lyle	915	234	
British Airways	4,300	200	-5	Hammerson 'A'	14	796	-2	Prudential	699	191½	-3	Taylor Woodrow	901	299	-9
British Gas	7,400	208½	+1	Hanson	4,800	224	+3	RHM	1,300	455	-9	Tesco	1,200	199	+1
British Land	119	376	-2	Harrisons & Cros.	598	172	-1½	RMC	148	745		THORN EMI	1,200	825	-3
BP	3,900	296½	-2½	Hawker Siddeley	235	731	-15	RTZ	1,100	529	+1	Trafalgar House	1,600	373	
British Steel	6,100	75½	-1¼	Hillsdown Hldgs	2,100	282	-1½	Racal	1,300	431	-7	Trusthouse Forte	433	344	-2
British Telecom	5,900	256	+1	IMI	378	236	-2	Rank Org	1,000	976	+1	Ultramar	243	324	-2
Burmah Oil	416	634	-6	Imp. Chem.	2,300	1249	-1	Reckitt & Colman	103	1204	-3	Unilever	566	632	-2
Burton	1,500	260	+2	Inchcape	585	292	+1	Redland	700	599	-6	United Biscuits	560	388	-4
Cable & Wireless	889	515	-5	Jaguar	273	393	+4	Reed International	615	428	-7	Utd. Newspapers	490	468	-1
Cadbury Schweppes	3,900	444	-5	Kingfisher	2,700	357	+4	Reuters	1,100	872	+17	Wellcome	599	450	-7
Carlton Comms.	455	798	+10	Ladbroke	2,000	329	+5	Rolls Royce	1,300	183½	-2	Whitbread 'A'	790	365	+5
Commercial Union	1,100	414	-6	Land Securities	3,200	584	-5	Rothmans	50	628	-12	Williams Hldgs.	819	262	-1
Cons. Gold Fields	200	1474		Laporte	231	487	-2½	Royal Bk of Scotland	714	420	-7	Wimpey	19	277	-1

Racal hit by US selling

A slide in the shares of both the Racal twins reflected determined selling from the US as transatlantic investors shifted their stance to follow bearish views taken recently of the stocks in London. This was in spite of a successful annual meeting at which the company reaffirmed that it is experiencing record installation rates and call volumes.

US investors, who were strong supporters of the two electronic stocks earlier this year, have turned sellers this week following bearish views expressed in the US by BZW, the UK securities house, which is currently visiting US investment centres.

Its investment team, headed by Mr Jack Summerscale, BZW's top-rated telecoms analyst is promoting the BZW view that the existing UK cellular phone companies are "enormously overvalued."

On Racal Telecom the BZW team says: "Assuming that Cable & Wireless will adopt an aggressive pricing strategy, and taking account of what we believe is a realistic market for personal communications/Cellular, our valuation range for Racal Telecom would currently be between 220p and 270p a share, compared with a current price of 359p."

On Cable & Wireless BZW says: "Short term the shares are due a period of consolidation, but any further weakness could provide opportunities in one of the UK's premier growth companies."

Racal Telecom shares followed up Monday's slide with a further 20-point decline to 359p, while Racal Electronics lost 7 to 431p. Turnover in Telecom was 1m shares, and in Electronics 1.3m shares. Cable & Wireless closed 5 off at 515p on turnover of 889,000 shares.

BAT bid nerves

The disclosure that Californian insurance regulators intend to challenge the legal tactics of Sir James Goldsmith's Hoylake group in its £13bn bid for BAT Industries hit BAT shares hard in London yesterday. Marketmakers and speculators alike shied away from the prospect of a protracted legal battle in the US courts.

The shares were down by 24p at worst before ending a net 13 off at 854p after some late support from the US. Turnover of 6.5m, while above average for the stock, was far below the near-20m daily totals struck when Hoylake first demonstrated interest. Much of yesterday's business reflected intra-marketmaker operations, with the institutional holders standing firm for the time being; "they have little choice," said one analyst.

Traders expressed concern that, as in the recent case of Minorco's attempted takeover of Consolidated Gold Fields, US legal delays could destroy the timing of the bid. Hoylake has to post its formal offer document by next Tuesday.

NatWest figures

Interim figures from NatWest, the clearing bank tainted by the Blue Arrow affair, caused barely a tremor in the market. NatWest shares, quoted at 331p immediately ahead of the results, slipped back to 327p after the bank unveiled half-year profits of £352m (minus provisions against LDC debt), before ending an active trading session a net 3 higher at 330p. Turnover was 4.7m, well up on usual levels.

One analyst described the figures as "good solid stuff, very much in line with expectations which were generally in the region of £750m pre-LDC provisions." The 15 per cent increase in the interim compared with a 16 per cent rise announced last week by Lloyds.

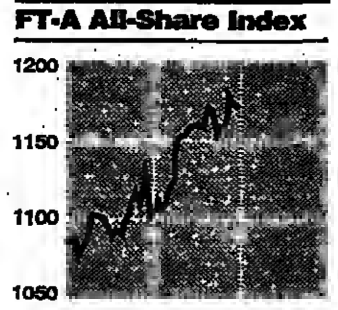
Mr Ian Shelley, banks analyst at WI Carr, the stockbrokers, expects NatWest to achieve full year profits of £1.05bn, after LDC provisions.

Cash for Steel

British Steel weakened for the second day running as institutions held back in the light of Monday's instruction from the Stock Exchange that dealings must be in cash, with a 48-hour settlement, during this Account; normally payment would not have to be made until Account day – August 21. Steel closed 1¼ down at 75½p on turnover of 6.1m shares.

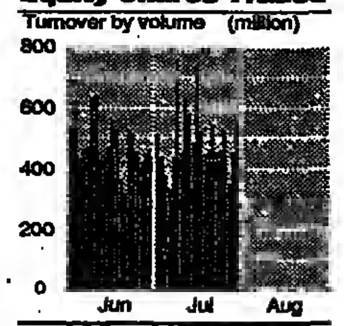
The reason for the ruling is to ensure that the shareholders' list is as up to date as possible before the call for the second and final 65p instalment on the shares, probably on September 1. The shares have been traded in a 60p partly paid form since privatisation of the company in December 1988.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



The final instalment has to be paid by September 26, but interim certificates and call notices must be delivered the previous Friday, and dealings in that Account, starting September 4, will also be for 48-hour cash settlement. Trading during the in-between Account, which runs for three weeks from August 14, will be as normal.

Barclays eased 3 to 512p on turnover of 1.6m shares with analysts expecting the bank to announce LDC provisions of £800m, taking their provisions up to around 48 per cent, to accompany the interim figures expected today. Midland, due to report on Thursday and expected by analysts to put aside £600m in additional provisions for third world debt, lost 6 to 344p with turnover barely above the 500,000 shares mark. Lloyds edged ahead 2 to 364p.

Worries about possible hurricane damage of the US coast upset the composite insurers with General Accident 10 off at 997p and Commercial Union and Royals 6 lower at 414p and respectively. Guardian Royal Exchange were additionally burdened by news that Laing & Cruikshank, the stockbrokers, had placed some 35.6m GRE shares with institutional clients at 211.5p to finance the purchase of Pearl insurance group PMPA for some £287m. Turnover in GRE, however, totalled only 1.8m shares.

Enterprise Oil remained under strong downward pressure as stories that ICI may well be about to place their near 25 per cent stake in Enterprise continued to circulate in the market. At the close Enterprise were 12 off at 610p on turnover of 2.6m – significantly higher than usual levels of activity in the shares.

BP slipped 2½ to 296½p on 3.9m; UK oil analysts are currently touring the company's Alaskan operations.

Brewers turned in a sold performance, with all the leading issues marking up modest gains against the market. "Everyone likes the sector, and everyone is short," was how one dealer described it, and in the absence of real institutional interest most of the day's volume was accounted for by intra-market deals. Bass rose 9 to 1069p, Guinness 4 to 541p, and Allied Lyons 1¼ to 522p. Gains of 5 points were posted by Grand Metropolitan (595p), Scottish & Newcastle (380p), and Whitbread "A" (365p). Securities house BZW has released its the new "Brewing Quarterly" review and takes a positive stance on the sector as a whole.

Further takeover speculation boosted Coats International 13 more to 249p. Foseco, where there were market suggestions that a 212 notice had revealed a West German share stake, were 2 firmer at 274p.

There was a mixed performance from stores stocks as brokers buy and sell recommendations created a strong two-way pull in the sector. Two leaders suffered from downgrades. GUS were hit by a sell note from US securities house Morgan Stanley, and the "A" shares ended 22 lower at 1098p in light trading.

The other downgrade came from UK broker Hoare Govett, which has lowered its profits forecast for Sears. Mr Bill Currie of Hoare has cut his full year prediction by £8m to £245m, and for the interims due in October he now expects £82.5m, which would represent a fall in £10m on the same stage last year. "Sears is finding life difficult in all areas," said Mr Currie. Sears closed down a ½ at 130½p on turnover of 4.1m shares.

Among the stocks to defy the wider market trend were Etam, 8 higher at 215p on vague speculative buying, John Menzies, up 7 at 381p, Kingfisher, up 4 at 357p, and Burton, up 2 at 60p. Two second-liners to post strong recoveries after recent declines were Lowndes Queensway, up 1½ at 35p, and Miller & Santhouse, up 13 at 168p. A Goldberg fell 7 to 171p on further consideration of Monday's hostile, all paper bid from Blacks Leisure (5½p).

Activity in GEC and Plessey was minimal; Plessey managed a minor gain at 271p on 1.7m and GEC were 1½ off at 235p on 2.2m. Talk in the market regarding the chances of a renewed GEC/Siemens move against Plessey suggested that the two potential predators would move in and make either a bid of around 250p to 255p a share, or possibly launch a "full and final offer" of 265p to 270p a share, and in both cases leave the Plessey board to try to beat off the bids. "Whatever happens, Plessey will be made to work hard," said one trader. News that UBS Phillips & Drew had come up with a break up valuation of 400p a share saw Plessey momentarily marked up to 278p yesterday before retreating sharply.

GKN's £22.2M disposal of its Autoparts Distribution division failed to impress the market and the shares slipped 7 to 435p.

Results at Thomas Robinson were in line with expectations, but the market was surprised by the £38m rights issue. The price fell 29 to 478p. One dealer said that the cash call, one new share at 405p for every three held, was at a good discount.

Retailing stocks hogged the limelight in the foods sector. Bodgens were particularly lively, advancing to 124p before settling back at 122p, up 6, on speculation of imminent bid news. Earlier this year an agreed bid for Budgens from Scottish supermarket group William Low (281p) collapsed amid much recrimination, and dealers believe that Budgens remains effectively up for sale. Morrisons Supermarkets (172p) have already been labelled as a potential buyer, but taken more seriously has been talk of a management buy-out at Budgens.

Albert Fisher, the fruit and vegetable distributor, slipped 4 to 102p after unveiling a placing of 36.5m shares to fund no less than five European acqusitions.

Takeover approaches at engineer Desontter and market research company MIL Research Group boosted the shares and sent dealers and analysts in search of possible bidders. No clues were turned up for Desoutter, but three names were mentioned for MIL. Top of the list was advertising and financial services group MAI, down a penny at 104p. Earlier this year, MAI failed to take control of another market researcher, AGB. Other possible bidders mentioned were the winner in that battle, Pergamon AGB, and WPP. Desoutter jumped 89 to 445p and MIL leapt 41 to 305p.

SmithKline Beecham continued Monday's strong run, based on UK institutional demand in the company's first Account in the FT-SE 100. It closed 13 ahead at 568p. Turnover was a good 3.7m shares traded.

The resignation of chairman and chief executive of Macarthy undermined the stock which touched 242p before closing a net 5 lower at 245p.

The latest tunnelling report from Eurotunnel went a small way to recover from recent heavy falls in the shares price, which added 23 at 863p.

Shares in property group Priest Marians took off after a boardroom coup ousted Mr Simon Fussell as chairman. The stock closed 27 higher at 483p, driven by the expectation that Mr Fussell will sell on his near 25 per cent stake, possibly to a potential predator.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

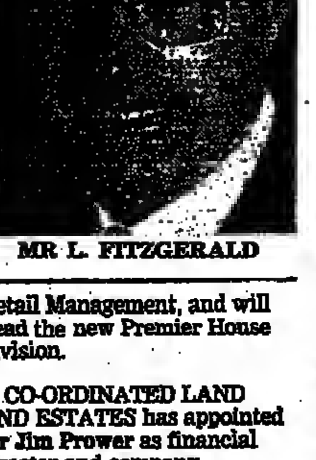
NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (134).
BRITISH FUNDS (6) Ex. 2½pc '90, Fd. 5¼pc '87-91, Tr. 3pc IL '90, Tr. 3pc '90, Tr. 3pc '92., LOANS (3) AMERICANS (5) CANADIANS (3) BANKS (6) Algemene, Bancaire Cie, Bank Scotland, Deutsche Bk., Nat. West., Sec. Pacific, Sumitomo T & B; Union Discount, BREWERS (1) Merrydown Wine, BUILDINGS (1) EBC, CHEMICALS (4) Croda Int'l., Foseco, Schering, Yule Catto, STORES (5) Burton, Etam, Gent (S.R.), Kingfisher, Menzies (J.), ELECTRICALS (8) Admiral Computing, Microlec, Micro Focus, Molynx, Plessey, ENGINEERING (16) BM, Cook (W.), Davy Crp., Desoutter Bros., Eadie, Linread, Ml. Hldgs., Robinson (T.), SKF AB, Staveley Inds., FOODS (3) Argyll, Booker, Nestle SA (Br.), Do. (Reg.), Sainsbury (J.), HOTELS (1) Ladbroke, INDUSTRIALS (16) Apollo Metals, BTR Nylex, Barry Wehmiller, Bluebird Toys, CMB Pack., Crean (J.), Dover, Electrolux, Flogas, IWP Int'l., McLeod Russel, Metsec, Norfolk Hse. Grp., Reliance Sec., Reuters, Serco, Sthn. Bus. Grp., Tomkins 8¼pc Cm. Pf., INSURANCE (1) Sun Alliance, LEISURE (6) Anglia TV, Central ITV, Cityvision, European Leis., Scot. TV, TVS Ent. 7.4pc Pf., NEWSPAPERS (1) Independent, PAPERS (6) Burford, Lowe H-S & B; MIL Research, U.K. Paper, WCRS, PROPERTY (4) Britannia Grp., Chesterfield, Priest M. Do. 6½pc Cv. Ln., TRANSPORT (1) Ocean Trans., TRUSTS (23) OILS (3) Cairn Energy, Ex. Co. Louisiana, OVERSEAS TRADERS (1) Antofagasta, PLANTATIONS (1) Williamson, MINES (2) THIRD MARKET (2).
NEW LOWS (23).
BUILDINGS (2) Bellway, Bellwinch, STORES (1) Reject Shop, ELECTRICALS (5) Amstrad, Crystalate, National Tele., Northamber, Star Comp., INDUSTRIALS (7) Airsprung, Creighton Labs., Fergebrook, Fobel Int'l.,Oakwood, Relyon, Sufer, INSURANCE (1) Archer (A.J.), MOTORS (1) Davenport Vernon, PAPERS (1) Green (J.), PROPERTY (1) Baker Harris Saunders, TRUSTS (1) GPG, OILS (1) Century, MINES (2).

APPOINTMENTS

Dunlop Aerospace chief

DUNLOP AEROSPACE GROUP has appointed Mr Lou FitzGerald *(right)* as chief executive. He was managing director of the aviation division. He succeeds Mr John Roberts who retires at the end of September but will continue as a consultant. Dunlop Aerospace is a subsidiary of BTR.



MR L. FITZGERALD

■ Mr George Nissen has been appointed chairman of the INVESTMENT MANAGEMENT REGULATORY ORGANISATION, succeeding Sir Henry Fisher. Mr Nissen was a director of Morgan Grenfell Holdings, 1984-87, where be is now a consultant working on compliance. Prior to that he was a partner in stockbrokers Pember & Boyle from 1956-86. He will be resigning from the board of the Securities Association where be is chairman of the enforcement committee.

■ CARPET EXPRESS has appointed Mr Terry Pike as finance director. He was financial controller with United Transport Contract Services.

■ GREENALL WHITLEY has appointed Mr Alan Whitehead to the main board. He is managing director of Greenalls Retail Management, and will head the new Premier House division.

■ CO-ORDINATED LAND AND ESTATES has appointed Mr Jim Prower as financial director and company secretary. He was group finance director at Minty.

■ Mr Gordon Fraser has been appointed managing director of PROBIOTICS INTERNATIONAL.

■ NOMURA has appointed Mr Rurik Ingram as executive director in the fixed income sales department, with special responsibility for continental Europe marketing. He held a similar post as vice president with J.P. Morgan Securities.

■ Mr James Sankson has been appointed to the board of ROBERT M. DOUGLAS HOLDINGS.

■ SOCIETE GENERALE STRAUSS TURNBULL SECURITIES has made the following appointments. Mr Michael Hicks to head sales trading - he was a director with Pru-Bache; Mr Michael Padley, from Swiss Bank Corp, as senior building and property analyst; Mr David Holland, from Christiana Bank & Collins, as analyst and senior salesman for Nordic companies; and Mr John Dawson, Mr Tom Shiel and Mr Steven Johnston, all from Credit Suisse Buckmaster, to create an Australian equities team.

■ SALOMON BROTHERS INTERNATIONAL has appointed Mr Robert Kidson as a vice president in the investment banking department. He was with Citibank. Mr Christian Bourron becomes vice president responsible for convertible sales in France and the Benelux countries. He joins from Credit Suisse First Boston.

■ At the LONDON METAL EXCHANGE Mr Christopher Green, chairman of Cerro Metals, has been re-elected chairman, and Mr John Wolff, director of Rudolf Wolff & Co, has been re-elected vice chairman, for 1989-90. Mr John Pither, managing director of Amari, has been re-elected as an invited director. Mr David King, director of finance, becomes chief executive from January 1 when Mr Michael Brown retires.

■ Mr Richard McClean, deputy chief executive of the FINANCIAL TIMES, has assumed responsibility for the day-to-day operations of the newspaper. Mr David Palmer, general manager, has been appointed a deputy chief executive and will concentrate on projects and assisting the chief executive, Mr Frank Barlow, across the whole of the FT group. Mr Laurance Allen, vice president of FT Publications Inc, New York, has resigned and will be leaving later in the year.

Mr Peter Smith *(above)* has been appointed partner in charga of COOPERS & LYBRAND's London practice. He will continue to lead the financial services sector.

FT LAW REPORTS

Anton Pillar order discharged

O'REGAN AND OTHERS v IAMBIC PRODUCTIONS LTD
Queen's Bench Division: Sir Peter Pain sitting as a High Court judge: June 30 1989

FACTS MATERIAL to the grant of an Anton Pillar order coming to the applicant's knowledge after making the application, should be disclosed to the court so thet it may decide whether or not to continue the order; and it may discharge it even after execution if, had those facts been known, it should never have been granted. And a Mareva injunction should not be granted in the absence of sufficient evidence as to the defendant's background to justify an objective conclusion thet he is likely to dissipate his assets before judgment.

Sir Peter Pain, sitting as e High Court judge, so beld when discharging an Anton Pillar order and a Mareva injunction imposed on the defendant, Iambic Productions Ltd, by Mr Graeme Hamilton QC on *ex parte* applications by the plaintiffs, Miss Rosalind O'Regan, Omnibus Enterprises Ltd and Carteregan Ltd.

HIS LORDSHIP said that Iambic was in film and television. Mise O'Regan, a producer, assisted it from December 1985. She said there was a partnership and thet she owned a half share. Iambic said she received fees as a producer only.

On April 10 1989 they agreed to part.

The parties were sharing an office in Great Queen Street London. Once it was decided to part things got worse. Iambic decided to move out of the Great Queen Street offices and to go to other offices in Scala Street at the end of May.

About a week before that was to happen it received information that Miss O'Regan intended to change the locks on the Great Queen Street premises and to lock it out.

So, on May 20, witbout notice, Iambic moved its property in Scala Street. It also took some of Miss O'Regan's property.

It left a letter saying: "I have left certain items whicb are strictly Iambic's. I have not knowingly removed anything that is not, but if I have, let me know and we will sort it out."

Miss O'Regan took the view that the letter was disingenuous, since, she said (but it was dispnted) that a list of her property had been made one or two days earlier.

She went on Sunday May 21 to Iambic's new offices. She was able to get in and search, but she could not find certain files to which ehe attached particular importance.

On May 24 Iambic found it had certain items belonging to Miss O'Regan, and sent them round by messenger to her office. There was nobody there to accept delivery, and they were not delivered. Miss O'Regan did not know about that.

On May 25 Miss O'Regan sent Iambic a letter requesting that all her personal belongings, in particular listed files and documents, be returned to her. She said: "I require your agreement by 3pm to return these items by latest tomorrow, and I will be available to receive them at Great Queen Street today and tomorrow until 5.30 pm."

The letter was delivered at ebout 2pm. Iambic had one hour's notice to signify agreement to deliver the items. It did not notify any agreement.

The next day, in the morning, Miss O'Regan applied *ex parte* to Mr Hamilton QC for an Anton Pillar order and e Mareva injunction against Iambic. He made the Anton Pillar order in the morning but did not limit its operation to execution after 5.30.

In the afternoon, before 5.30, Miss O'Regan received a letter dated May 26 from Iambic. It set out certain items which were being returned to her. It explained there had been an attempt to send round items on May 24. It also stated that all the other items listed by her on May 25 were not in Scala Street, unless "locked in one of the cabinets to which you have the keys." It said that if she were to send someone round with the keys the cabinats could be opened and personal items could be retrieved.

That letter put Miss O'Regan on notice that, before she made her application, an attempt had been made to deliver the items; and also that an offer bad been made for her to attend at Iambic's office and search.

The matter was then referred to Miss O'Regan's solicitor. She stated on affidavit that on receipt of Iambic'e letter of Mey 26 suggesting that Miss O'Regan's file might be in a locked filing cabinet on Iambic's premises, Miss O'Regan was amazed, since she had seen that the cabinet had been broken open and ber files removed.

It was said "because of this it was expected that Miss O'Regan's files would be in Bristol, not London, and execution of the order was only carried out in London on the off chance that the documents remained there." The letter of May 26 was seen to be evasive indicating that documents might be in Bristol.

In fact there was nothing in Bristol.

On the basis of that belief, on the solicitor's instructions, the Anton Pillar order was executed both in London and in Bristol.

On the present summons Iambic sought to set aside the Mareva injunction and the Anton Pillar order.

Miss Troy for Miss O'Regan conceded thet it would have been better to direct the judge's attention to the 5.30 deadline, and that the Anton Pillar order should have been limited to execution after 5.30pm. That was correct. The judge was not addressed on the point.

It was clearly the duty of counsel and the solicitor to point ont to the judge any points to their client's disadvantage which the judge should take into account in considering whether or not to grant the injunction. His attention should have been drawn to thet deadline and the order limited in that way.

The letter of May 26 made certain vital changes. First, it showed that an attempt had been made to return the property. It also showed, as far as London was concerned, that Iambic was offering a searcb of its offices. There was all the difference in the world between Iambic's position as disclosed in the May 20 letter and as disclosed by the May 26 letter.

There was an obligation when matters affecting the propriety of an Anton Pillar order came to light before it was executed, to bring those matters to the notice of the court. It was the solicitor'e dnty to apprise the court of the facts so that it could make up its own mind whether to continue the order.

The basis of the allegation that Iambic might destroy evidence was set out in Miss O'Regan's original affidavit. She could not believe that her documents could be taken and then retained in error; sbe believed that unless an Anton Pillar order were granted, there was a real risk that evidence vital to her intended case would be destroyed.

That was an flimsy reason to grant an Anton Pillar order. It was vital for new material matters to be put before the judge. It was inconceivable that he would have allowed the order to stand if be had been aware of the new matters.

In a sense it did not make much difference wbether or not the Anton Pillar order was discbarged, because it had already been executed.

However, an Anton Pillar order carried tbe suggestion that a person was not to be trueted and was likely to destroy evidence.

That was a very serious tbing. People wbo owed a defendant money or might enter into further obligations with him, were reluctant to carry on business with him in the ordinary way while that was hanging over him.

Tbe Anton Pillar order should be discharged. If the true facts had been known it should never have been made.

There was no evidence to support the Mareva application except an allegation in Miss O'Regan's affidavit that the Iambic director, Mr Hunt, had told her that if it were threatened with legal proceedings he would dissolve the company or move its assets elsewhere.

The authorities on Mareva injunctions made it plain that unsupported statements and expressions of fear carried very little, if any weight. The court needed to act on objective facts from which it could infer that the defendant was likely to move assets ebroad or dissipate them within the jurisdiction. Here there was nothing of that nature in the documents at all.

Tha court now knew that Mr Hunt was a family man of good standing (apart from the present matter), with a successful company.

It was the duty of a plaintiff applying for a Mareva order to provide the court with information about the defendant.

The very useful check list in *Mareva Injunctions, Law and Practice* by Steven Gee and Geraldine Andrews, pages 51-52, set out the sort of information the court should have before it decided to grant a Mareva application.

Tbe Mareva injunction should be discharged on the same basis as the Anton Pillar order, for want of disclosure. There were no grounds for thinking Iambic would dissipate assets.

Both orders were discharged.

For Iambic: Richard Slowe and Nicholas Bard (Lewis Silkin).

For Miss O'Regan: Karen Troy Reid Minty).

Rachel Davies
Barrister

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0545 717373						
High Income						
American Income	6	52 08	52.64	56 01	-0.53	4 89
Gilts & Fixed Int	6	112 70	112 70	119 50	+0 1	8 37
High Inc Equity	6	138 20	141 00xd	150 99	-1 1	4 23
Worldwide Bond	6	198 60	198 60	210 40	+0 6	4 61
Capital Growth						
American Growth	6	185 90	188 00	200 00	+1 9	0 95
Asian Pacific	6	97 95	99 820	106 20	-0.5	1.22
Assets & Earnings	6	165 00	168 60	179 40	-0 5	2.06
Capital Reserve Acc	0	86 94	86 94	87 06	-0.05	4 50
Comdty & Energy	6	106 10	106.10	113 50	+0 5	1.67
1992 Enterprise	6	59 76	60 95xd	64 85	-0 2	2 78
European Capital	6	89 39	90.12	95 89	-0.56	0 70
General	6	185 30	188.30	200.40	+3 3	2 25
International	6	47 31	47 91xd	50 97	-0 17	0 98
Japan	6	113 00	113 80	121 80	+0 5	0 00
Mastertrust	6	88 11	88.71xd	94.24	+0.17	1 80
UK Growth Acc	6	207 80	213 00	226 70	+0.5	1.24
UK Growth Dist	6	136 00	142 10	151 20	-0 4	1.00
US Emerging Cos	6	52 61	54 29	57 76	+0 24	0 00
Income & Growth	6	313 20	319 50	339 90	-1.2	3 02
Ethical	6	50 03	51 25xd	54 53	-0.24	1.83
Abtrust Management Ltd (1000)H						
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	31 44	31 44	33.56	-0 17	3.24
European	5¼	66 77	66 92	71.43	-0 09	0 00
European Income	5¼	65 63	65 63xd	70 06	-0 25	2 89
Exempt	1	839 3	839 3xd	875 9	-3 20	1 99
Extra Income	5	45 52	45 52xd	48 60	-0.20	4.33
7 East Emerg Econ	5¼	47 09	47 35xd	50 72	—	0 66
Fund Inv Tst	5	131 0	121 0	139 9	+0 10	2.20
Do Accum	5	204 0	204 0	217 8	+0 20	2.21
Gilt & Fixed Int	5¼	21 40	22 15xd	23 64	-0 05	10.37
Income & Growth	5¼	76 50	76 50xd	81 67	-0.50	3 85
Intl Income	5¼	64 37	64 37	68 72	+0 04	5 12
Japan	5¼	197 5	197 5	210 9	-1 20	0 00
Pacific	5¼	361 9	363 6	389 4	-2 00	0 63
Secure Income	5	208 3	208 3	222 3	-0 90	5 73
Smaller Companies	5¼	63 59	63 59	67 88	-0 07	2 13
Special Situations	5¼	74 86	74 86	79 91	-0 01	1.36
UK Growth	5	39.82	39.82	42.50	-0 13	2.31
UK Top 100	5¼	—	—	—		—
World Growth	5	50 76	50 76	54 18	+0.11	0.35
Acorn Unit Trust Managers Ltd (1100)F						
1 White Hart Yd London Bridge SE1 1NK 01-407 5966						
Ethical Tst	5	99 92	104 0	109 3	+0.1	3 00
Do Accum	5	101 8	106.1	111 4	+0.3	3 00
Aegis Unit Tst Mngmt Ltd (1400)F						
94 Whiteladies Rd, Bristol BS8 2QX 0272 237593						
Intl Growth	6	47 14	47 96	51 02	+0 02	1.50

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd — Contd.						
Income	5	166.9	172.2	182 7	-1.8	4.23
(Accum Units)	5	325 6	335 8	356 3	-1 5	4.25
International	5	124.5	124.5	131 7	-0 2	3.14
(Accum Units)	5	169 7	169 7	179 5	-0 3	3 14
Smaller Co's	5	119.1	122 1	129 6	+0.1	1 43
(Accum Units)	5	130 9	134.3	142.5	+0.3	1.43
Inv Portfolio	2½	57 31	59.33	61 15	-0.56	3 47
(Accum Units)	2½	50 38	60.39	62.26	+0.57	3 47
High Income Port	3	49 73	50 15	51.97	-0 47	5.98
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sm Dsd GtK & FI	1¼	53 75	53 75	54.52	+0 01	2.89
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SQ 01-740 7070						
UK General Tst	5½	55 47	59.34	63 46	(z)	2.23
Global Tst	5½	44 90	45.42	48.58	(z)	2.81
Recovery Tst	5½	54 96	54.96	60.97	(z)	1 92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 01 234 6000						
Growth Fd Acc	5	113.6	115 1	121.0	-0 3	3.51
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America F	5	59 81	59.81	63 63	+0 16	0.64
CS International F	5	60 41	60 41	64 26	+0.26	1 63
CS Japan F	5	121.8	121.8	140 2	+1.8	0.31
CS Portfolio Inv & F	5	74 72	74 72	79.48	-0 00	1.37
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	148 5	151 0xd	159 0	-1 00	2.91
Do Gen Accum	5	250 7	255 1	268 5	-1 80	2.91
Do Income Dist	5	99.24	101.4	106 7	-0.60	5.28
Do Inc Accum	5	227.3	232.2	244 5	-1.40	5.20
Gilt & Fxd Inc	5	37 64	37.70	39 60	-0 07	8.09
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5½	40 22	40 22xd	43 01	+0 47	2 36
Income	5½	49 87	49 87xd	53 54	-0 00	3 85
Far East	5½	37 59	38 23	40 72	+0.17	0 05
North American	5½	36 50	36.99	39.56	+0 27	1.82
Global	5½	53 76	54 63	58 12	+0.31	1.69
European	5½	56 84	57 66	61 34	+0.24	0 88
Japan	5½	108 6	150 0	117.7	+0.50	0.01
Intl Currency Bd	5½	43 66	43.66	46.27	+0 20	6.48
Strategic Opps	5½	55 62	55.62	59 49	-0.20	1.23
Capability Trust Mngrs Ltd (1200)F						
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
American & Gen	5	79 23	80 11	85 22	+0 93	1 55
(Accum Units)	5	83 73	83 64	88 98	+0 97	1 56
European Inc	5	57 33	57.73	61.42	+0.39	0 91
(Accum Units)	5	58 05	58 46	62.19	+0.39	0 91
Far East & Gen	5	67 27	67 37	71.56	+0 25	0
(Accum Units)	5	67 27	67 27	71 56	+0.25	0
Glenfriars	5	278 9	284 6	302 8	+0 8	1.98
(Accum Units)	5	289 0	294 9	313 7	+0 7	1 48
Growth	5	276 5	276.5	294 1	-2 9	2.77
(Accum Units)	5	424.3	424 3	451 4	-4.3	2 77
Income & Growth	5	336 7	337.9xd	359.5	-4 6	3 85

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA 01-588 3963						
PM Equity Gth	5	121.7	123.8	131.7	+0.1	2.62
PM Income & Gth	5	105.5	107.5	114.3	+0.1	4.58
PM Nth Amer Gth	5	57.41	57.41	61 07	+0.61	1.23
PM European Gth	5	58.22	58 22	61.93	-0.1	0.72
PM Japan Gth	5	82.69	82.70	88.06	+0.57	0.28
PM Overseas Gth	5	55.63	55 63	59.18	+0.42	0.44

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential Holborn Unit Tsts Ltd (1445)H						
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn LinkLine 0800 010345						
Two Hourly Pricing						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Smith & Williamson Unit Tst Mgrs (1000)F						
1 Riding House St, London W1A 3AS 01-637 5377						
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth						

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the consumer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours, ♦ - 1101 to 1400 hours, ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	316 2	332 9	....	–
Man Pens Inc & Cap Fds.	423 9	446.3	....	–
Money Fund	120 9	127.3	....	–
Pens Mngd Fd (Init)	117.5	123.7	....	–
Pens Mngd Fd (Acc)	143 4	151 0	....	–
Pens FT30 Fd (Init)	154 6	162 8	....	–
Pens FT30 Fd (Acc)	188 6	198 6	....	–
Pens O'seas MgFd(Init)	76 2	80 3	....	–
Pens O'seas MgFd(Acc)	93 0	97 9	....	–
Pens Fxd Int Fd (Init)	105 4	111 0		–
Pens Fxd Int Fd (Acc)	128 6	135 4		–
Pens Deposit Fd (Init)	105 8	111 4	....	–
Pens Deposit Fd (Acc)	129 1	135.9	....	–

Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	126 0	133 0	+1.0	–
Building Soc. Fd.	172 0	182.0	....	–
Balanced	290 0	306.0	....	–
European	184 0	194 0	+3 0	–
G7 Managed	181 0	191 0	−1 0	–
Gartmore Mngd	121 0	128 0	....	–
German	130 0	137 0	+1 0	–
Gilt	187 0	197 0		–
Global	49 0	52.0		–
High Inc	126 0	173 0		–
International Equity	201 0	212 0	+2 0	–
Japan	249 0	263 0	+1 0	–
Managed	64 0	68 0	....	–
Property	283 0	298 0	....	–
R. W. Imperial Gold	146 0	154 0		–
UK Equity	370 0	390 0	−1 0	–
Pension Funds				
American	150 0	158 0		–
Building Soc. Fd	173 0	183 0	....	–
Balanced	223 0	235 0	....	–
European	181 0	191 0	....	–
German	112 0	118 0		–
Gilt	158 0	167 0	....	–
International Equity	145 0	153 0	....	–
Japan	141 0	149 0	....	–
Managed	67 0	71 0	....	–
Property	218 0	230 0		–
UK Equity	338 0	356 0	−1 0	–

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or −	Yield Gross
Pensions Managed Fund	94 07	99 44	+0 14	–
Pensions Cash Fund	78 48	82.62	+0.03	–

Prolific Life & Pensions Ltd
Stramongate Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd	610.5	643 4	−0 9	–
Adventurous Mngd	132 0	139 1	−0 1	–
Secure Mngd	112 3	118 4	−0.3	–
Cash Fd	235 1	247 8		–
Property Fund	289 0	307 5		–
Equity Fund	690 3	737.5	−1 8	–
Fxd Int. Fund	301.2	317 4	+0 9	–
International	307 0	326 7	+0.3	–
High Income	480 7	511 4	−7 3	–
Far East	420 6	447 5	−0 2	–
North American	282 7	297 9	+3.2	–
Special Sits	651 4	693.0	−6 1	–
Technology	251.5	267 6	+0 2	–
Extra Inc Fd	294 6	313 5	−3.9	–
Convertible & Gilt Fd	139.5	169.7		–
American Income	133 7	140 9	+0 5	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	Exch.10pc 1989	[illegible]		-	-
[illegible]	[illegible]	Exch 11pc 1989	[illegible]		11.05	13.23
98¼	95¼	Treas 5pc 1986-89	98¾	+1/16	5.06	10.65
99½	98⅝	Exch 10¼pcCv '89	[illegible]		10.34	12.97
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]		12.97	12.30
[illegible]	[illegible]	Treas 2pc IL '90(84.6)	[illegible]	[illegible]	2.09	9.98
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	11.09	12.58
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	12.52	12.69
95¼	91¼	Treas. 3pc 1990	95¼	+⅛	3.15	9.676
97¼	95¾	Treas 8¼pc 1987-90‡‡	97¼		8.48	11.64
[illegible]	95¼	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	8.20	10.67
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]		10.22	11.89
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.69	8.25
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.75	11.73
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.17	10.23
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]		3.32	8.97
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.23	11.33
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.06	11.23
[illegible]	[illegible]	Treas. 8pc 1992	[illegible]	[illegible]	8.55	11.13
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.25	10.81
99½	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.20	10.90
[illegible]	91	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.57	10.90
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.59	10.83
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.51	8.90
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.83	10.85
[illegible]	[illegible]	[illegible] 13½pc 1992	[illegible]	[illegible]	12.61	10.74
[illegible]	[illegible]	Treas 8¾pc 1993	[illegible]	[illegible]	8.84	10.55
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.15	10.46
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.78	10.55
[illegible]	[illegible]	Funding 6pc 1993‡‡	87	[illegible]	6.91	9.94
[illegible]	[illegible]	[illegible] 13¾pc 1993‡‡	[illegible]	[illegible]	12.38	10.46
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.13	10.45
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	12.61	10.31
[illegible]	[illegible]	[illegible] 13½pc 1994	[illegible]	[illegible]	12.15	10.45
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.11	10.27

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.58	10.44
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.49	10.27
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.27	10.40
[illegible]	74½	Exch 3pc Gas 90-95	77		3.90	8.07
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.29	10.32
[illegible]	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	11.45	10.23
[illegible]	[illegible]	Treas. 14pc '96	[illegible]	[illegible]	12.01	10.41
[illegible]	[illegible]	Treas. 9pc 1992-96‡‡	[illegible]	[illegible]	9.47	10.03
[illegible]	[illegible]	Treas 15¼pc 1996‡‡	[illegible]	[illegible]	12.35	10.31
[illegible]	110	Exch 13¼pc 1996‡‡	[illegible]	[illegible]	11.59	10.25
[illegible]	[illegible]	Conversion 10pc 1996	[illegible]	[illegible]	10.10	10.18
[illegible]	[illegible]	Treas 13¼pc 1997‡‡	[illegible]	[illegible]	11.50	10.26
[illegible]	[illegible]	Exch 10½pc 1997	[illegible]	[illegible]	10.32	10.16
[illegible]	[illegible]	Treas 8¾pc 1997‡‡	[illegible]	[illegible]	9.38	9.98
[illegible]	[illegible]	Exch 15pc 1997	[illegible]	[illegible]	12.01	10.41
[illegible]	[illegible]	Exch. 9¾pc 1998	[illegible]	[illegible]	9.89	10.06
[illegible]	[illegible]	Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	8.15	9.69
[illegible]	[illegible]	Treas. 15½pc '98‡‡	[illegible]	[illegible]	11.87	10.25
[illegible]	[illegible]	Exch. 12pc 1998	[illegible]	[illegible]	10.83	10.16
[illegible]	[illegible]	Treas 9½pc 1999‡‡	[illegible]	[illegible]	9.68	9.80
[illegible]	[illegible]	Exch. 12¼pc 1999	[illegible]	[illegible]	10.58	10.13
[illegible]	[illegible]	Treas. 10½pc 1999	[illegible]	[illegible]	10.22	10.05
[illegible]	[illegible]	Conversion 10¼pc 1999	[illegible]	[illegible]	10.11	10.02
[illegible]	[illegible]	Treas. 8½pc Ln 2000‡‡	[illegible]	[illegible]	9.27	9.77
[illegible]	90	Conversion 9pc 2000‡‡	[illegible]	[illegible]	9.49	9.79
[illegible]	[illegible]	Treas. 13pc 2000	[illegible]	[illegible]	10.98	10.16
[illegible]	[illegible]	Treas 10pc 2001	[illegible]	[illegible]	9.92	9.87
[illegible]	[illegible]	Treas. 14pc '98-01	[illegible]	[illegible]	11.60	10.35
[illegible]	[illegible]	Conversion 9¾pc 2001	[illegible]	[illegible]	9.80	9.82
[illegible]	[illegible]	Exch. 12pc '99-02	[illegible]	[illegible]	10.85	10.21
[illegible]	[illegible]	Conversion 10pc 2002	[illegible]	[illegible]	9.84	9.76
[illegible]	[illegible]	Treas 9¾pc 2002	[illegible]	[illegible]	9.74	9.73
[illegible]	[illegible]	Exch. 9pc 2002	[illegible]	[illegible]	9.47	9.66
[illegible]	[illegible]	Treas. 13¾pc 2000-03	[illegible]	[illegible]	11.18	10.21
[illegible]	[illegible]	Treas 10pc 2003	[illegible]	[illegible]	9.72	9.61
[illegible]	[illegible]	Treas. 11½pc 2001-04	[illegible]	[illegible]	10.46	10.02
[illegible]	[illegible]	Treas. 10pc 2004	[illegible]	[illegible]	9.66	9.55

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	Funding 3½pc '99-04	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	Conversion 9½pc 2004	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Conversion 9½pc 2005	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Exch.10½pc 2005	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 12½pc 2003-05	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 8pc 2002-06‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Conversion 9¾pc 2006	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 11¾pc 2003-07	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 8½pc 2007 ‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 13½pc '04-08	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 9pc 2008 ‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 8pc 2009	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Conv 9pc Ln 2011 ‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 5½pc 2008-12‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas. 7¾pc 2012-15‡‡	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Exch. 12pc '13-'17	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	Consols 4pc	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	War Loan 3½pc‡‡	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	Conv. 3½pc '61 Aft.	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	Treas. 3pc '66 Aft.	[illegible]		[illegible]	[illegible]
[illegible]	26	Consols 2½pc	[illegible]		[illegible]	[illegible]
29½	[illegible]	Treas. 2½pc	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
[illegible]	[illegible]	Tr. 2pc '92‡‡(97.8)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2 '94 (102.9)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2pc '96(67.9)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do 2½pc '01(78.3)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2½pc '03(78.8)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2pc '06(69.5)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2½pc '09(78.8)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2½pc '11(74.6)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2½pc '13(89.2)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2½pc '16(81.6)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2½pc '20(83.0)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2½pc '24‡‡(97.7)	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1988: 110.0 and for June 1989: 115.4.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	99½	African Dv Bk 11¼ Ln 2010	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]	Asian Dev Bk 10¼pcLn2009	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Australia 13½pc 2010	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 11¾pcLn2013	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Euro Inv Bk 11pc Ln 2002	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 10¾pc2004	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Int-Am Dev Bk 12½pc 2003	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 9¾pcLn 2015	[illegible]	[illegible]	[illegible]	[illegible]
97½	91½	Mlysia 10¼pcLn 2009	[illegible]		[illegible]	[illegible]
120	117	[illegible] Mexican States 16½pc 2008	117		[illegible]	[illegible]

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	99½		[illegible]	[illegible]
111½	102½	Do. 11½pc 2012	105½		[illegible]	[illegible]
91	86½	GLC 6¾pc 1990-92	88½		[illegible]	[illegible]
124½	[illegible]	Leeds 13½pc 2006	121½		[illegible]	[illegible]
33	30	Liverpool 3½pc Irred.	30		[illegible]	[illegible]
95½	92	LCC 6¼pc '88-90	95½		[illegible]	[illegible]
30	27	Do. 3pc '20 Aft.	[illegible]		[illegible]	[illegible]
107½	101½	Manchester 11½pc 2007	105½		[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88¼		[illegible]	[illegible]
206	206	S Rhod 2½pc Non-Assd.	206		[illegible]	[illegible]
84½	84½	Do. 4½pc 87-92 Assd.	84½		[illegible]	[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

	Bid Price	Offer Price	+ or -	Yield Gross
Henderson Management SA				
Henderson Horizon Fund				
Japanese Portfolio	$14.37	15.19	+0.09	-
Japan Smllr Cos P'flio	$18.59	19.64	+0.11	-
Pacific Portfolio	$10.95	11.57	-0.01	-
Nth American P'folio	$4.95	5.24	+0.04	-
European Portfolio	$7.24	7.65	-0.03	-
UK Portfolio	$6.81	7.21	-0.05	-
Global Portfolio	$9.51	10.05		-
Fixed Int Portfolio	$9.74	10.23	-0.01	-
Dollar Liquidity P'folio	$0.8218	0.8249	+0.0003	-
Stlg Liquidity P'folio	£1.1199	1.1229	+0.0004	-
Merrill Lynch Asset Management—Contd.				
Yen Portfolio	Y1013			-
Multi-Curr Bd P'folio	$11.73		+0.06	-
USA Income P'folio	$9.49		+0.03	-
US Federal Securities	$10.01		+0.03	-
World Inst Res P'folio A	$10.67		-0.01	-
World Inst Res P'folio B	$10.62		-0.01	-
Merrill Lynch Int Capital Mngt (GSY) Ltd				
[illegible] Portfolio	$11.31			-
Morgan Stanley Sicav				
Money Mkt Plus Fd Aug 2	$1047.02			-

[illegible]

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

ISLE OF MAN (**)

LUXEMBOURG (**)

[illegible]

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
35¼	24¼	Gen. Elect. 63c	35⅛	+½	$1.64	–	2.9
568p	460p	♦General Host Corp $1	460p	–6	30c	–	4.1
39¼	18¼	Gillette $1	27⅝	......	96c	–	2.2
987p	601p	Gt Am First Svgs Bk $1	641p	+40	60c	–	5.9
23⅝	16⅞	Greyhound $1½	21	+¼	$1.32	–	4.0
14¼	847p	Hasbro Inc 50c	11xd	+¼	16c	–	0.8
54⅞	32¼	Honeywell $1½	52¼xd	+¼	$2.10	–	2.3
21¼	11¼	Houston Inds. ‖	20⅞	......	$2.96	–	9.0
74⅝	63⅞	IBM Corpn $1¼	69⅞xd	+1¼	$4.84	–	4.4
60p	45p	♦Image Storage/R.Sys.1c	55p	......	–	–	–
28¼	18¼	Ingersoll–Rand $2	28¼xd	......	$1.20	–	2.6
33	22½	Lockheed Crpn. $1	28⅞xd	......	$1.80	–	3.9
22⅝	13⅞	Lone Star Inds $1	20⅝	+¼	$1.90	–	3.8
25	17½	Louisiana Land 15c	23⅞xd	–⅛	$1.00	–	2.7
17	11½	Lowe's 50c	16	+⅛	48c	–	1.9
26¼	13⅞	Manuf. Hanover $1	26¼	+¼	$3.28	–	7.9
21	13⅞	Merrill Lynch $1	21	+⅛	$1.00	–	3.0
2253p	1910p	Molex Inc	2074p	+9	3.2c	–	–
27⅞	18¼	Morgan (JP) $2½	24⅞xd	+¼	$1.66	–	4.2
54½	36¼	NYNEX $1	47½	+1	$4.36	–	5.8
24⅝	18¼	PHH Corp. ‖	22⅝	–¼	$1.12	–	3.1
259p	180p	♦Pacific Agr. ‖	188p	......	–	–	–
27¼	19	Pacificorp $3¼	25xd	+¼	$2.76	–	6.7
27¼	16⅞	Pacific Telesis 10c	26⅛	+¼	$1.88	–	4.5
22¼	11¼	Pall Corp. 25c	20	+¼	48c	–	1.5
55⅞	39⅞	Pennzoil $3 1/3c	48½xd	+¼	$3.00	–	3.9
42¼	28⅝	Quaker Oats $5	41¼	+⅛	$1.20	–	1.8
32¼	23½	Rep NY Corpn $5	30½xd	+1¼	$1.28	–	2.7
11¼	11⅞	Rockwell Intl. $1	13⅞xd	+⅛	78c	–	3.6
35	21⅝	Southwestern Bell $1	32¼	–1⅛	$2.60	–	5.1
27⅞	17⅞	Sun Co. Inc. $1	22¼xd	+¼	$1.80	–	3.1
30¼	22⅞	TRW Inc. 62½c	29¼xd	+⅛	$1.72	–	3.7
22¼	14½	TW Services $5	20¼	+¼	10c	–	0.5
36¼	26¼	Tenneco $5	36xd	+⅛	$3.04	–	3.3
35⅞	28	Texaco $6.25	31⅞xd	......	♦$3.00	–	6.0
28⅞	21⅝	Texas Instr $1	23⅞xd	+⅛	72c	–	1.9
117⅞	58⅝	Time Inc. $1	86¼	–⅞	$1.00	–	0.7
18⅞	11⅞	TRINOVA Corp	16⅞xd	+⅛	$64c	–	2.5
24¼	16	USX $1	21⅞xd	–⅛	$1.40	–	4.1
230p	126p	♦Unilab	230p	......	–	–	–
33⅞	22¼	Utd. Technologies	33¼xd	+⅛	$1.60	–	3.1
158p	128p	♦Utilitech Inc	137p	......	–	–	–
46½	31½	US West ‖	43⅞	+1¼	$3.76	–	5.4
36¼	22⅝	Waste Management $1	34⅞xd	–⅛	48c	–	0.9
20¼	13½	Whirlpool $1	19½	+½	$1.10	–	3.6
24½	16⅞	Whitman Corp	21⅞	+⅛	$1.02	–	2.9
36⅞	28¼	♦Woolworth $3⅓	36	+¼	$1.88	–	3.5

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
168p	129p	♦A&M Gold Corp ‖	147p	+1	–	–	–
25½p	4½p	♦Abbot Energy Corp	24p	......	–	–	–
16⅝	902p	♦Amer. Barrick Res	11¼	–⅛	–	–	–
20p	10½p	♦Armeno	20p	+2½	–	–	–
344p	94p	♦Asiamerica Hldgs ‖	287p	+7	–	–	–
33½p	8½p	♦Augmitto Expln	19p	......	–	–	–
18	12⅞	Bk. Montreal ‖	18	+¼	$2.12	–	6.0
10⅞	655p	Bk. Nova Scot. ‖	977pxd	+10	92c	–	4.8
821p	599p	♦BC Gas $1	779p	+3	60c	–	4.0
22	17	BCE ‖	21⅛	......	$2.44	–	5.9
848p	370p	♦Bow Valley ‖	712p	......	♦40c	–	2.9
16⅞	12¼	♦Brascan ‖	16	+¼	88c	–	2.8
228p	144p	♦Breakwater Res	148p	+2	10c	–	3.5
17¼	11¼	Can.Imp Bank ‖	16¼	......	$1.24	–	3.9
588p	374p	Central Capital "A" ‖	537p	+9	–	–	–
498p	340p	♦Corona Corp	396p	+8	–	–	–
381p	228p	♦Cons TVX Min	351p	+13	–	–	–
775p	524p	♦Derlan Inds. ‖	620p	–16	11.75c	–	1.0
984p	751p	♦Echo Bay Mines	894p	+4	$0.07	–	0.4
572p	336p	♦ECO Corp ‖	413p	+2	–	–	–
236p	178p	♦Galactic Resources	181p	+3	–	–	–
369p	243p	Gandalf Techs. Inc	320p	–14	–	–	–
183p	129p	Granges Inc. ‖	179p	+1	–	–	–
27½p	3½p	♦Gt Pacific Res	7¼p	......	–	–	–
812p	651p	♦Gulf Canada ‖	741p	+16	52c	–	3.6
10½	10¼	♦Hawker Sid Can ‖	13½	......	$1.08	–	4.1
653p	348p	♦Henlys Group	375p	+16	–	–	–
18⅞	11⅞	♦Hudson's Bay ‖	16¼	+¼	60c	–	1.9
31¼	23	♦Imperial Oil ‖	29¼	–¼	$1.80	–	3.2
19⅝	14¼	Inco ‖	16½xd	......	s$0.80	–	2.7
		For Inland Nat. Gas see BC Gas					
290p	102p	♦Madeleine Mines	169p	+6	–	–	–
193p	121p	♦Muscocho Expln	133p	–2	–	–	–
126p	85½p	♦Nevada Goldfields	97p	+3	–	–	–
593p	522p	Nova Corp of Alberta	530pxd	+2	42c	–	4.1
14⅛	10⅞	♦Rio Algom	12¼	+¼	85c	–	3.5
25	17¼	Royal Bk. Can. ‖	24¼xd	+¼	$2.20	–	4.7
47¼	33⅞	Seagram ‖	47½	+¼	US$1.40	–	1.9
112p	74½p	♦Sonora Gold Corp ‖	89p	......	–	–	–
109p	42½p	♦Tam Pure Tech. Corp ‖	53p	+3	–	–	–
11⅛	806p	Toronto–Dom. Bk ‖	11⅞	–¼	h76c	–	3.4
820p	686p	♦Trans Can Pipe	772p	–10	68c	–	4.5
184p	145p	Varity Corp ‖	156p	+8	8–	–	–

BANKS, HP & LEASING

1989 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*278	216	ANZ SA1		224	–1	s1034½c	2.0	7.0	7.1
*182	120½	Allied Irish Ord	β	178	......	♦068%	♦	4.0	♦
£13¼	£11¼	Algemene Fl.10		£13¼	+¼	027%	1.9	5.8	–
*80	61	Anglo Irish	y	73	......	♦012½%	4.0	5.4	12.3
79	75	Ansbacher (H.) 1p	β	76	......	2.0	–	3.5	–
£59⅞	£38⅞	Bancaire Cie Fr100		£59⅞	+⅛	♦012½%	–	1.6	–
£40⅞	£35⅛	Banco Bilbao Viz		£40⅛	......	035.7%	2.0	3.2	15.5
£33	£28	Banco de Santander		£29⅞	–½	021%	2.4	2.6	16.1
*250	169	Bank Ireland Ir£1	β	247	–1	♦♦023%	3.2	4.2	9.5
£17½	£17½	Bank Leumi		£17½	......	–	–	–	–
350	345	Bank Leumi (U.K.)		345xd	......	†13.5	–	5.2	–
108	88	Bank Scotland	β	106	–1	3.8	3.6	4.8	7.7
111¼	102¾	Do. 9¼pc Irrd Pf	y	107¼	......	9¼%	–	11.5	–
*67	52	Bank of Wales		57	......	2.8	1.6	6.5	11.9
*522	404	Barclays £1	α	512	–3	23.0	3.5	6.0	5.8
31	27	Benchmark 20p	y	29	+1	1.63	1.0	7.5	16.7
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1250	870	Schroders £1	y	1250	+10	19.5	–	2.1	–
1005	655	Do. £1 N/V	y	995	–5	19.5	–	2.6	–
£32¼	£19⅞	Sec. Pacific $10		£32¼	+⅛	Q$1.96	–	3.8	–
*567	499	Standard Chartd. £1	α	533	–7	33.9	2.9	8.5	4.6
£19⅞	£15⅞	Sumitomo Bank Y50		£16⅞	+⅛	013%	7.5	0.2	65.5
£12¼	£10⅞	Sumitomo Tst & Bk Y50		£12¼	+⅛	016%	8.1	0.3	42.6
133½	101	TSB	α	109	+1	†5.24	3.1	6.6	6.6
234	164	TSB Ch'nel Is'l	β	180	–1	†06.1	3.5	3.2	9.5
540	470	Union Discount £1	β	540	+2	50.0	–	7.4	–
384	277	Warburg (S.G.)	β	373	–4	12.5	–	4.5	–
134	98	Do 6pc Cnv Prf	y	131	......	6%	–	6.1	–
*284	226	Westpac SA1		233	+3	sQ33c	1.7	6.4	9.1
468	443	Wintrust 20p	y	468	......	7.8	♦	2.2	♦

Hire Purchase, Leasing, etc.

1989 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
545	224	Anglo Grp. 10p	α	513	–12	5.0	3.8	1.3	21.8
*373	240	CLF Yeoman 50p	y	275	......	♦UR4½%	3.4	3.7	8.7
100	51	♦Capital Leasing Ir 10p	y	96	......	L013.2%	♦	1.2	♦
78	55	Cattle's (Hdgs) 10p	β	72	+1½	3.25	2.2	6.0	10.2
38	29	Equity & Gen 5p	y	30	......	1.5	1.7	6.7	(10.7)
365	312	Prov. Financial	β	337	......	18.0	2.1	7.1	9.1
220	100	♦Reliles Ins Ir5p	y	215	......	02h.4%	♦	0.5	♦
236	146	Secure Trust Grp. 1p	y	235	......	W7.0%	1.5	4.0	11.9
187	127	Woodchester IR20p	y	177	......	011½%	6.2	1.1	17.5

BEERS, WINES & SPIRITS

1989 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
529	427	Allied–Lyons	α	522	+1½	15.0	2.2	3.8	13.3
£29	£17⅞	Anheuser–Busch $1		£27⅞	+⅛	72c	–	1.4	–
1078	793	Bass	α	1069	+9	†23.5	3.4	2.9	13.2
203	160	Boddington	β	101	......	4.3	2.5	3.2	16.4
190	135	Bulmer (H.P.) 5p	β	177xd	......	6.95	♦	5.2	♦
255	192	Burtonwood Brewery	β	252	......	3.55	2.5	1.9	28.3
450	402	Clark (Matthew)	y	440	–3	13.0	♦	4.0	♦
*344	279	Devenish (J.A.) 5p	β	326	......	F4.44	3.9	1.8	15.6
253	210	Do 4.5pc Cv 2ndPf	y	230	......	4½%	25.3	2.6	–
242	205	♦Eldridge, Pope "A" 50p	β	206xd	......	†13.6	3.4	2.4	16.3
455	385	♦Fuller, S.T.A.	y	395xd	......	4.45	♦	1.5	♦
609	425	Grand Metrop 50p	α	595	+5	†13.0	2.9	3.4	12.3
335	258	Greenall Whitley	β	325	+4	†7.25	3.3	3.0	12.8
162	129	Do. 5.95pcCvPf£1	y	154	+1	5.95%	–	5.2	–
622	447	Greene King	β	529	......	8.7	3.6	2.2	16.2
346	329	Guinness	α	341	+4	11.5	3.0	2.8	14.1
154	102	Do. 5¾pc Cnv Prf	y	153	+1	5.75%	25.0	5.0	–
£184	£119	Do 8¼pcCvLn	y	£183	+2	08¼%	69.0	4.5	–
238	135	Highland Dists. 20p	β	233	+1	†2.82	2.7	1.6	30.9
*550	183	Macallan–Glenlivet	y	456	......	b0.88	5.7	0.3	14.1
1950	1335	Macdonald Martin 'A'	y	1985	+5	sa24.0	2.1	1.7	37.3
515	455	Mansfield Brewery	y	502	+2	9.5	♦	2.5	♦
225	166	Marston Thompson	β	225	......	3.36	3.1	2.0	21.7
415	363	♦Merrydown Wine	β	415	+2	6.5	♦	2.1	♦
785	647	Morland	β	783	......	†9.05	4.8	1.5	17.0
449	284	Scott & New 20p	α	388	+5	10.83	2.2	3.8	15.6
337	273	Vaux Group 10p	β	319	+3	†6.53	2.3	2.7	20.7
377	299	Whitbread 'A'	α	365	+5	12.55	2.4	0.6	11.2
494	412	Wolv. & Dudley	β	449	–2	†7.0	4.2	2.1	15.3
535	500	Young Brew 'A' 50p	y	535	......	10.2	1.8	2.5	28.6
455	420	Do. Non. V. 50p	y	455	+5	10.2	1.8	3.0	24.4

BUILDING, TIMBER, ROADS

1989 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
536	329	AMEC 50p	β	456	......	17.0	2.6	5.0	8.5
132	89	Do. 6½p Cm Cv Pf	y	115	–1	6½%	–	7.7	–
204	160	Abbey	y	170	......	24%	4.9	4.2	6.6
116	108	♦Allen 5p	y	109	–1	L4.2	2.8	5.1	8.4
*460	173	Anglia Sec 10p	β	175	–7	4.0	6.6	3.0	6.6
57	39	Anglo Utd	y	55	+1½	1.2	♦	2.9	♦
258	163	Arncliffe 10p	y	228	......	6.0	5.9	3.5	5.7
327	245	♦Ashtead Group 10p	y	315	......	†h2.0	7.6	0.8	20.7
516	285	Attwoods 5p	β	479	......	†7.0	2.3	1.9	25.0
165	118	♦BMSS 10p	y	153	......	4.0	3.8	3.5	9.3
275	218	BPB Inds. 50p	α	248	......	10.75	2.8	5.8	7.6
219	147½	Baggeridge Brick	y	197	+3	†h2.5	6.0	2.0	11.1
146	90	Bailey (Ben) 10p	y	114	......	†2.2	5.7	2.6	9.1
180	125	Baldwin 10p	y	115	......	†2.0	1.3	2.0	47.2
216	198	♦Ball (A.H.) 5p	y	215	–1	L6.0	1.9	3.7	17.2
94	65	♦Banner Homes 10p	y	71	+1	2.8	3.9	5.3	6.4
209	166	Barratt Dev. 10p	β	178	+1	†11.16	2.1	8.4	7.6
268	202	Bellway	β	202	–2	(10.0	3.5	6.6	5.8
98	46	Bellwinch 10p	y	46	–3	3.75	3.5	10.9	3.1
261	187	Berkeley Group	β	197	–6	4.5	7.6	3.0	5.8
111	103	Bett Bros. 20p	y	123	–2	†3.85	2.8	4.2	11.4
220	152½	Blockleys 20p	y	180	–5	h4.35	3.2	3.2	13.0
307	210	Blue Circle 50p	α	275	–2½	10.0	2.3	4.8	11.3
169	118	Do. 7⅞pc Cv Rd Pf	y	150	+1	7⅞%	–	6.8	–
153	108	Breedon	y	140	–2	3.75	2.1	3.6	16.9
395	325	BB & EA		395	......	4.0	♦	1.4	♦
193	132	British Dredging	β	170	–1	6.0	2.0	4.7	13.8
136	93	Bryant Group	β	104	–1	†4.3	3.8	5.5	6.4
136	103	♦Bucknall Austin 1p	y	133	......	3.9	♦	3.9	♦
150	125	CALA 5p	y	126	–4	†2.75	4.7	2.9	8.8
57	29	♦CCS Group 20p	y	44	–1	L0.45	1.6	1.4	62.1

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ *Not comparable*
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	γ	97	+1
Craig & Rose £1	γ	830	....
Finlay Pkg 5p	γ	88	.....
Holt (Jos) 25p	γ	1343	+18

IRISH

Cap. 8½% Ln 1991	γ	£98⅝	....
9pc Cap Ln 1996	γ	£102¼	−½
Fin. 13% 97/02	γ	£123	.....
Arnotts	γ	415	−5
Carroll (P J)	γ	160	+2
Hall (R. & H.)	γ	170	.....
Heiton Hldgs.	γ	84	−2
Irish Ropes	γ	225	.....
United Drug	γ	148	+6

TRADITIONAL OPTIONS

3-month call rates

Industrials

		p
Allied-Lyons	γ	30
Amstrad	γ	11
BAT	γ	80
BOC Grp	γ	42
BSR	γ	6½
BTR	γ	32
Barclays	γ	42
Blue Circle	γ	24
Boots	γ	25
Bowaters	γ	44
Brit Aerospace	γ	52
British Steel	γ	7½
Brit. Telecom	γ	21
Burton Ord.	γ	18
Cadburys	γ	46
Charter Cons	γ	48
Comm Union	γ	32
Courtaulds	γ	30
FKI Babcock	γ	14
FNFC	γ	22
Gen Accident	γ	85
GEC	γ	20
Glaxo	γ	110
Grand Met.	γ	48
GUS 'A'	γ	90
Guardian	γ	10
GKN	γ	34
Hanson	γ	16
Hawker Sidd.	γ	60
ICI	γ	100
Jaguar	γ	28
Ladbroke	γ	28
Legal & Gen.	γ	26
Lex Service	γ	33
Lloyds Bank	γ	29
Lucas Inds	γ	58
Marks & Spencer	γ	13
Midland Bk	γ	30
Morgan Grenfell	γ	24
Nat West Bk	γ	25
P & O Dfd	γ	55
Plessey	γ	22
Polly Peck	γ	26
Racal Elect.	γ	40
RHM	γ	42
Rank Org Ord	γ	80
Reed Intnl	γ	34
STC	γ	32
Sears	γ	10
TI	γ	38
TSB	γ	10
Tesco	γ	14
Thorn EMI	γ	58
Trust Houses	γ	24
T&N	γ	10
Unilever	γ	46
Vickers	γ	18
Wellcome	γ	42

Property

Brit Land.	γ	32
Land Securities	γ	52
MEPC	γ	50
Randsworth	γ	20

Oils

Brit Petroleum	γ	21
Burmah Oil	γ	50
Calor	γ	35
Charterhall	γ	2½
Premier	γ	9
Shell	γ	32
Ultramar	γ	26

Mines

Cons Gold	γ	150
Lonrho	γ	30
RTZ	γ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar holds as pound falls

THE DOLLAR and sterling attracted attention on the foreign exchanges yesterday, but the US currency showed little movement on the day, in spite of growing fears about a US recession.

The dollar has weakened recently, ahead of yesterday's July survey by the National Association of Purchasing Managers, tomorrow's figures on leading indicators and Friday's US employment data. As far as the NAPM survey was concerned, it was a case of selling on the rumour and buying on the fact, even though the news from the purchasing managers was at least as pessimistic as expected.

The NAPM survey showed widespread weakness, with the July index falling to its lowest level since January 1983, at 46.0, compared with 48.8 in June. A figure below 50 per cent is considered to indicate that manufacturing production is slowing and yesterday's figure was low enough to prompt talk of a recession. The market will now wait to see whether this trend is reinforced by June leading indicators and the July employment data.

Forecasts suggest that leading indicators will be down 0.2 per cent, compared with a drop of 1.2 per cent in May. This would be the fourth fall in the last five months, but may not be a big enough factor to be taken as confirmation that the economy is heading into recession.

Mr Alan Greenspan, Federal Reserve Board chairman, has already indicated that the Fed eased its monetary stance last week and is seeking to avoid an unnecessary and destructive recession.

Mr Greenspan, delivering his Humphrey-Hawkins report to the Senate Banking Committee, added that the acceleration of inflation in the first half of the year was apparently the result of transitory factors, notably higher food and energy costs.

After a fairly active afternoon, the dollar closed little changed in London at DM1.8650, compared with DM1.8655 on Monday. It fell to Y136.75 from Y136.95, but was unchanged at FFr6.3150 and rose to SFr1.6075 from SFr1.6065. According to the Bank of England the dollar's exchange rate index fell to 68.8 from 68.9.

Fear that the Bank of England was pushing the pound down encouraged some sizeable selling orders to develop in a thin market, but there were no other factors to account for the weakness of sterling. Today's figures on July UK official reserves are not expected to show much change and most important UK economic news is concentrated in the second half of the month.

The pound lost 1.20 cents to $1.6545 and fell to DM3.0850 from DM3.1100. Sterling also declined to Y226.25 from Y228.25; to SFr2.6600 from SFr2.6775; and to FFr10.4475 from FFr10.5250. The pound's index fell 0.6 to close at the day's low of 92.7.

£ IN NEW YORK

Aug 1	Latest	Previous Close
£ Spot	1.6530-1.6540	1.6650-1.6660
1 month	0.66-0.65pm	0.79-0.77pm
3 months	1.95-1.92pm	2.14-2.11pm
12 months	7.40-7.30pm	7.45-7.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.1	Previous
8.30 am	93.3	93.3
9.00 am	93.2	93.3
10.00 am	93.1	93.4
11.00 am	93.0	93.3
Noon	93.0	93.4
1.00 pm	93.0	93.4
2.00 pm	93.0	93.3
3.00 pm	92.9	93.3
4.00 pm	92.7	93.3

CURRENCY RATES

Aug.1	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.29259	1.48972
U.S Dollar	7	1.28749	1.11262
Canadian $	12.36	1.51988	1.31189
Austrian Sch.	5	16.9150	14.6065
Belgian Franc	7.75	50.3087	43.4701
Danish Krone	9½	9.35490	8.06984
Deutsche Mark	5.00	2.40246	2.07582
Neth. Guilder	6.00	2.71017	2.34129
French Franc	9½	8.13050	7.02843
Italian Lira	13½	1731.00	1492.47
Japanese Yen	3¼	178.124	152.073
Norway Krone	8	8.83218	7.61812
Spanish Peseta	-	150.881	130.210
Swedish Krona	9½	8.23092	7.09463
Swiss Franc	5.5	2.07093	1.79021
Greek Drach.	20½	208.097	179.588
Irish Punt	-	0.90022	0.778166

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for July 31

CURRENCY MOVEMENTS

Aug.1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.7	-17.9
U.S Dollar	68.8	-9.1
Canadian Dollar	104.1	+0.2
Austrian Schilling	106.8	+9.7
Belgian Franc	106.2	-5.9
Danish Krone	103.7	-1.3
Deutsche Mark	113.2	+20.8
Swiss Franc	107.5	+16.8
Guilder	110.5	+13.4
French Franc	99.7	-15.5
Lira	100.0	-18.2
Yen	141.8	+73.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 31.

OTHER CURRENCIES

Aug.1	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4701	+2.38	+1.08	±1.5424
Danish Krone	7.85212	8.06984	+2.77	+1.47	±1.6419
German D-Mark	2.05853	2.07582	+0.84	-0.46	±1.1019
French Franc	6.90403	7.02843	+1.80	+0.50	±1.3719
Dutch Guilder	2.31943	2.34129	+0.94	-0.36	±1.5019
Irish Punt	0.768411	0.778166	+1.27	-0.03	±1.6689
Italian Lira	1483.58	1492.47	+0.60	-0.08	±4.0815
Spanish Peseta	130.000	130.210	+0.16		

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Aug.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.70-64.80 Six-month forward dollar 4.33-4.28pm 12 month 7.60-7.50pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.10-39.20.

EURO-CURRENCY INTEREST RATES

Aug.1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 8¾-8⅝ per cent; four years 8¾-8⅝ per cent; five years 8¾-8⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates ease

INTEREST RATES were slightly easier on the London money market yesterday, in spite of a weakening of sterling. Three-month interbank declined to 13⅞-13¾ per cent from 13[illegible] per cent.

The Bank of England initially forecast a money market surplus of £600m, but revised this to a surplus of £500m in the afternoon. The authorities

UK clearing bank base lending rate 14 per cent from May 24

absorbed surplus funds during the morning by selling £502m Treasury bills due September 15, at rates of 13½ to 13[illegible] per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £694m, with the unwinding of bill repurchase agreements absorbing £1317m. These factors were offset by Exchequer transactions adding £2,450m to liquidity, a fall in the note circulation of £20m and bank balances above target of £155m.

In New York the Federal Reserve drained money from the banking system, via overnight matched sale and repurchase agreements, when Federal funds were trading at 8[illegible] per cent. The move was slightly more aggressive than expected, with traders generally expecting the Fed to perform a two-day matched sale operation.

In Frankfurt call money eased slightly to 6.90 per cent from 6.95 per cent.

High Lombard borrowing of DM3.8bn on Monday reflected the demand for funds by the banks to meet their reserve commitments at the central bank, and the failure of the call rate to fall very much yesterday was because banks borrowed funds in the market to repay borrowing under the Lombard facility.

Dealers now wait to see whether the Bundesbank fully replaces the DM43.5bn draining from the market today as two securities repurchase agreements expire. The result of this week's securities repurchase tender will be announced today. The authorities offered a 35-day pact, at a fixed rate of 6.60 per cent, and a 63-day agreement at variable bid rates.

In Brussels the Belgian National Bank cut its important three-month Treasury certificate rate by 0.05 per cent to 8.45 per cent. This is the main instrument used by the central bank to guide money market rates, and it is the first reduction since June 27.

Four-month paper, issued by the Securities Regulation Fund, was similarly reduced by 0.05 per cent to 8.45 per cent, but one and two-month Treasury certificate rates were left at 8.20 and 8.35 per cent respectively.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.1) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8¼	offer 8¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	12	One month	7.12	Three year	7.44
Broker loan rate	10	Two month	7.94	Four year	7.39
Fed. funds	8[illegible]	Three month	7.85	Five year	7.42
Fed. funds at intervention	8[illegible]	Six month	7.64	Seven year	7.54
		One year	7.54	10-year	7.68
		Two year	7.41	30-year	7.80

Aug.1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-6.95	6.80-6.95	6.80-6.95	6.80-6.95	6.80-6.95	7.00
Paris	9[illegible]	8¾-9	8¾-9	8¾-9	8¾-9	8.75
Zurich	6[illegible]	6¾-7⅛	-	6¾-7⅛	-	-
Amsterdam	7.12-7.25	7.07-7.17	-	7.05-7.15	-	-
Tokyo	5⅛-5[illegible]	5[illegible]	-	-	-	-
Milan	12⅛-12½	12½-13	-	12½-13	-	-
Brussels	7.35	8[illegible]	-	8[illegible]	-	-
Dublin	9¼-9½	9[illegible]	9[illegible]	9¾-10	10-10¼	-

LONDON MONEY RATES

Aug.1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13¾	13[illegible]	13[illegible]	13⅞	13[illegible]	13[illegible]
Interbank Bid	13¼	13¾	13¾	13[illegible]	13[illegible]	13[illegible]
Sterling CDs	-	-	13[illegible]	13[illegible]	13[illegible]	13[illegible]
Local Authority Deps.	13⅝	13⅝	13¾	13¾	13¾	13¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13⅝	13¼	13[illegible]	13½	-	-
Company Deposits	-	-	13⅞	13[illegible]	13[illegible]	13[illegible]
Finance House Deposits	-	-	13⅞	13[illegible]	13[illegible]	13[illegible]
Treasury Bills (Buy)	-	-	13⅝	13½	-	-
Bank Bills (Buy)	-	-	13[illegible]	13[illegible]	12¾	-
Fine Trade Bills (Buy)	-	-	14⅞	14⅛	13⅞	-
Dollar CDs	-	-	8.55	8.40	8.22	8.10
SDR Linked Dep Offer	-	-	8¼	8¼	8[illegible]	8¼
SDR Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 13⅛ per cent; three months 13⅛ per cent; Bank Bills (sell); one-month 13½ per cent; three months 13[illegible] per cent; Treasury Bills; Average tender rate of discount 13.2762 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1989. Agreed rates for period August 26, 1989 to September 25, 1989, Scheme I: 14.80 p.c., Schemes II & III: 15.23 p.c. Reference rate for period July 1 to July 31, 1989, Scheme IV&V: 13.984 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14½ from August 1, 1989: Bank Deposit Rates for sums at seven days notice 4¾ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES

US bonds hit two-year peak

US TREASURY bond futures rose to a two-year high on the Liffe market in London yesterday. This followed a strong rise on the futures market in Chicago on speculation that US interest rates will fall, following a further indication that the economy is slowing from yesterday's NAPM survey for July.

September Treasury bonds touched a peak of 100-26 on Liffe, and closed just below that level at 100-25, against 99-13 on Monday.

There was a further easing of short sterling futures, but trading was quiet, with September delivery recording only 17,413 contracts. The September contract continues to look expensive to the equivalent cash price - discounting a cut in bank base rates before delivery in mid-September - even after falling to 86.40 from 86.46 yesterday. It traded in a narrow range of 86.36 to 86.48.

The closing price was equivalent to a cash interest rate on three-month interbank of slightly under 13⅝ per cent, against yesterday's level of around 13⅞ per cent for three-month funds on the money market. A weakening of sterling on the foreign exchanges had no great impact.

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE BUND FUTURES OPTIONS / LIFFE £/$ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]				

LONDON (LIFFE) / CHICAGO

	Close	High	Low	Prev.
[illegible]				

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6545	1.6469	1.6327	1.6115	1.5800

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6448	1.6494	1.6424	1.6540
Dec	1.6238	1.6286	1.6210	1.6332
Mar	1.6030	1.6070	1.6030	1.6146
Jun	1.5920	-	1.5920	1.5986

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.575	7.80	7.80	7.85	8.08	0.02	0.45	1.00	2.19
1.600	5.30	5.61	5.83	6.25	0.06	0.94	1.67	3.11
1.625	3.06	3.75	4.10	4.68	0.36	1.73	2.52	4.26
1.650	1.41	2.33	2.77	3.49	1.14	2.77	3.70	5.65
1.675	0.48	1.45	1.89	2.50	2.62	14.32	5.34	17.22
1.700	0.09	0.79	1.18	1.85	4.73	6.16	7.13	8.97
1.725	0.02	0.38	0.69	1.28	-	8.23	9.12	10.87

Previous day's open int: Calls 354,129 Puts 406,290 (All currencies)
Previous day's volume: Calls 29,504 Puts 15,064 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	• Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williams Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shanghai	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mount Banking	14		
City Merchants Bank	14	Nat Bk. of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 13.25% - 15%

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Last	Sep. 89 Vol	Last	Oct. 89 Vol	Last	Stock
[illegible]								

TOTAL VOLUME IN CONTRACTS : 51,795
A=Ask B=Bid C=Call P=Put

To Holders of

The Nishi-Nippon Bank, Ltd.

U.S. $70,000,000

2¼ per cent. Convertible Bonds Due 2003

Notice of Adjustment of Conversion Price

Pursuant to sub-clause (E) of Clause 6 of the Trust Deed dated 19th February, 1988, under which the above described Bonds (the "Bonds") were issued, notice is hereby given that as notified to the holders of the Bonds on 7th July, 1989, the Board of Directors of The Nishi-Nippon Bank, Ltd. (the "Bank") at its meeting held on 26th June, 1989 resolved that the Bank offer rights to its shareholders of record at 17.00 hours, Japan time, on 31st July, 1989 (the "Record Date"), entitling them to subscribe for 0.1 share of the Bank's common stock for each one share held at the subscription price of 480 Japanese yen per share. Such rights will be exercisable for the period from 6th September, 1989 to 18th September, 1989 (both days inclusive). The shares of common stock subscribed by the shareholders will be issued on 1st October, 1989.

As a result of such offer of the rights, the conversion price of the Bonds (758.50 Japanese yen per share as at 31st July, 1989) was adjusted to 724.50 Japanese yen per share, effective as at 1st August, 1989 which is the day immediately following the Record Date, pursuant to Condition 4(C) (ii) of the Terms and Conditions of the Bonds.

2nd August, 1989

The Daiwa Bank, Limited
on behalf of
THE NISHI-NIPPON BANK, LTD.

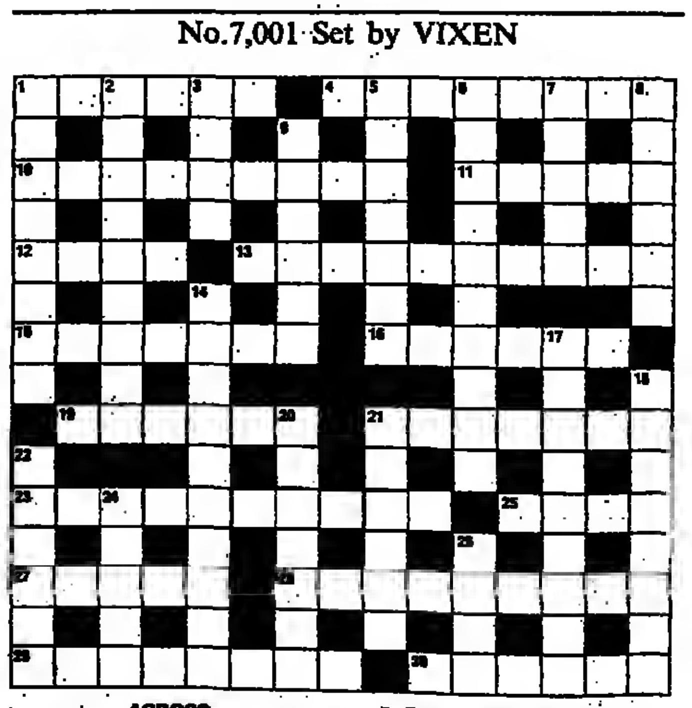
FT 30	FTSE 100	WALL STREET
Aug. 1914/1923 -11	Aug. 2297/2307 -15	Aug. 2662/2674 -5
Sep. 1924/1933 -14	Sep. 2309/2319 -19	Sep. 2672/2684 -5

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No.7,001 Set by VIXEN



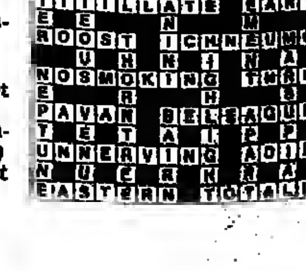
ACROSS

1 Dealing with others' distress (6)
4 Just the same, a lot of people will be present (8)
10 A feature of credit (9)
11 Vacant though sober man receiving approval in Spain (2,3)
12 Hold back support (4)
13 Tear things out and arrange in order (10)
15 Vessel on which one's likely to suffer mal-de-mer? (7)
16 He's given a home by Her Majesty (6)
19 Greatly admires revolutionary leader in a works (8)
21 Writers must pay the price (7)
23 Occasional police raid may be ordered (10)
25 A server of drinks entered in the beauty contest (4)
27 Disturb with sound arguments (5)
28 New line offered by cunning agent lacking polish (9)
29 Neat article for example backing cheap way to travel (8)
30 Run personal transport - always short! (6)

DOWN

1 Traps - ten possibly - set in the church (8)
2 Withdrew military personnel and discussed terms (9)
3 To be uppity is certainly not a good thing (4)
5 Cow needing some cover - a weatherproof shelter (7)
6 Gain a stone maybe. Contend with that! (10)
7 One's allowed to see this little place (5)
8 Registering no sound (6)
9 A fat goat? (6)
14 Old driver creating a commotion in high spirits (10)
17 A player's entitlement (5-4)
18 The man despised for leaving dry land with a certain hesitation (8)
20 Give voice about fuel causing pollution (7)
21 Spoke at length and quietly administered a reproof (6)
22 Points heavenward (6)
24 The way to beat the egghead (5)
26 Deal arranged by a Spartan queen (4)

Solution to Puzzle No.7,000



WORLD STOCK MARKETS

AUSTRIA — August 1 — Sch. — + or −
[illegible]

BELGIUM/LUXEMBOURG — August 1 — Frs. — + or −
[illegible]

DENMARK — August 1 — Kr — + or −
[illegible]

FINLAND — August 1 — Mks — + or −
[illegible]

FRANCE — August 1 — Frs. — + or −
[illegible]

FRANCE (continued) — August 1 — Frs. — + or −
[illegible]

GERMANY — August 1 — Dm. — + or −
[illegible]

GERMANY (continued) — August 1 — Dm. — + or −
[illegible]

ITALY — August 1 — Lire — + or −
[illegible]

ITALY (continued) — August 1 — Lire — + or −
[illegible]

NETHERLANDS — August 1 — Fls. — + or −
[illegible]

NORWAY — August 1 — Kroner — + or −
[illegible]

SPAIN — August 1 — Pts. % — + or −
[illegible]

SWEDEN — August 1 — Kroner — + or −
[illegible]

SWITZERLAND — August 1 — Frs. — + or −
[illegible]

SOUTH AFRICA — August 1 — Rand — + or −
[illegible]

CANADA

TORONTO
2pm prices August 1

Sales — Stock — High — Low — Close — Chng
[illegible]

† No voting rights or restricted voting rights.

JAPAN

August 1 — Yen — + or −
[illegible]

AUSTRALIA — August 1 — Aust.$ — + or −
[illegible]

AUSTRALIA (continued) — August 1 — Aust.$ — + or −
[illegible]

HONG KONG — August 1 — H.K.$ — + or −
[illegible]

SINGAPORE — August 1 — S$ — + or −
[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

INDICES

NEW YORK — DOW JONES

	July 31	July 28	July 27	July 26	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials		2635.24	2635.43	2613.05	2660.66 (31/7)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	(u)	93.42	93.08	92.93	93.42 (28/7)	87.35 (23/3)	-	-
Transport	1277.75	1269.20	1266.18	1266.66	1277.75 (31/7)	959.95 (3/1)	1277.75 (31/7/89)	12.32 (8/7/32)
Utilities	221.20	219.82	217.93	217.18	221.20 (31/7)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2668.25 (2656.68) Low 2615.52 (2615.71)

STANDARD AND POOR'S	July 31	July 28	July 27	July 26	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	346.08	342.15	341.99	338.05	346.08 (31/7)	275.31 (3/1)	346.08 (31/7/89)	4.40 (1/6/32)
Industrials	395.68	391.31	391.87	387.31	395.68 (31/7)	318.66 (3/1)	395.68 (31/7/89)	3.62 (21/6/32)
Financial	33.26	32.56	32.54	31.82	33.26 (31/7)	24.30 (3/1)	33.26 (31/7/89)	8.64 (1/10/74)
NYSE Composite	192.41	190.38	190.22	188.24	192.41 (31/7)	154.98 (3/1)	192.41 (31/7/89)	4.46 (25/4/42)
Amex Mkt. Value	376.56	374.51	375.35	372.78	376.56 (31/7)	305.24 (3/1)	376.56 (31/7/89)	29.31 (9/12/72)
NASDAQ OTC Comp	453.84	452.82	452.48	449.12	453.84 (31/7)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	July 28	July 21	July 14	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.47	3.54	3.51
	July 26	July 19	July 12	year ago (approx.)
S & P Industrial div. yield	2.90	2.92	2.98	3.12
S & P Indl. P/E ratio	14.22	14.10	13.81	14.10

TRADING ACTIVITY † Volume

Millions	July 31	July 28	July 27
New York	167.951	180.610	213.680
Amex	11.400	12.952	14.206
OTC	111.899	128.903	140.255

NEW YORK	July 31	July 28	July 27
Issues Traded	1992	1960	1982
Rises	1045	800	1010
Falls	486	663	479
Unchanged	461	497	493
New Highs	264	201	255
New Lows	13	20	19

CANADA

TORONTO	July 31	July 28	July 27	July 26	1989 High	1989 Low
Metals & Minerals	3464.4	3443.7	3452.7	3415.9	3564.9 (6/2)	3207.5 (3/1)
Composite	3970.8	3966.8	3958.9	3936.3	3970.8 (31/7)	3350.5 (6/1)
MONTREAL Portfolio	2022.05	2021.38	2015.97	2000.43	2022.05 (31/7)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Bristol Myers	4,387,900	48¼	—	Varity Corp	1,934,600	2⅝	+ ⅛
Squibb	2,473,200	110¼	—	USX Corp xd	1,898,600	35⅝	− 1
Can Pacific	2,309,900	23½	+ ⅛	K Mart	1,696,600	42	+ 1½
John	2,105,500	36	+ 1⅛	SmithKline Bchm	1,543,600	43⅛	+ ⅞
AT&T	2,095,700	40⅝	+ ½	IBM	1,365,300	115	+ 1⅝

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 1	July 31	July 28	July 27	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1638.6	1634.2	1626.8	1628.2	1638.8 (1/8)	1412.9 (7/4)
All Mining (1/1/80)	765.1	761.5	765.1	763.1	765.1 (28/7)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	365.00	362.54	359.77	358.53	366.87 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6191.77	6159.10	6133.17	6106.37	6191.77 (1/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	352.70	352.05	351.58	350.56	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	779.7	778.5	778.8	779.1	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	504.9	505.7	503.3	497.8	505.7 (28/7)	417.9 (4/1)
Ind. Tendance (30/12/88)	120.5	120.1	122.4	119.3	122.4 (28/7)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	649.82	638.64	639.79	643.52	649.82 (1/8)	535.78 (27/2)
Commerzbank (1/12/53)	1946.5	1911.4	1912.0	1923.7	1946.5 (1/8)	1595.7 (27/2)
DAX (30/12/87)	1578.91	1554.16	1553.27	1567.05	1578.91 (1/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2578.96	2571.08	2526.75	2493.71	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	683.11	680.50	680.01	679.76	683.39 (27/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34898.46	34953.87	34705.63	34785.2	34953.87 (31/7)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2627.62	2628.90	2606.61	2605.48	2628.90 (31/7)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl. Rtn. Gen. (End 1983)	258.7	257.5	256.7	257.4	258.7 (1/8)	208.3 (3/1)
CBS All Shr (End 1983)	201.3	200.5	199.8	200.4	201.3 (1/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	650.87	647.25	650.13	649.09	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1367.08	1372.29	1370.14	1366.36	1372.29 (25/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1617.0‡	1592.8	1584.8	1615.8	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2700.0‡	2688.0	2689.0	2693.0	2700.0 (1/6)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	305.69	303.93	302.23	300.78	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4458.4	4439.3	4435.8	4426.9	4458.4 (1/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	780.2	775.3	766.1	780.2 (31/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	549.3	540.0	540.6	549.3 (31/7)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 256.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday August 1 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	50.2m	880	+11	Teijin	14.2m	880	-4
Tokyu	24.1m	1,920	+70	Kawasaki Steel	13.8m	954	0
Toshiba	16.8m	1,370	-19	MHI	11.9m	1,240	-15
Sumitomo Metal	14.8m	845	+1	NKK	11.3m	850	+12
Tokyu Dpt Store	14.2m	1,800	+90	Sumitomo	9.8m	1,540	-40

3pm prices August 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A — A — A —								
29¾	21¾	AAR	.44	1.3	21	x270	33¾	28¼	36½	− ⅜
10¼	8⅞	ACM n	1.01	11.		267	9⅛	9⅛	9⅛	− ⅛
11⅝	10⅝	ACMIn	1.26a	11.		494	11⅜	11⅜	11⅜	
10⅜	8½	ACM M	n1.01	11.		196	9⅞	9¼	9¼	+ ⅛
11½	10	ACM Sc	1.26	11.		679	11⅜	11¼	11¼	
9½	9⅛	ACMSp	1.01	11.		230	9¼	9⅛	9¼	+ ⅛
13	10⅞	AL Lab	.12	.7	19	208	17⅛	17⅜	17⅛	+ ¼
4⅜	3⅜	AMCA	.12e	3.0	27	4	4	4	4	
9⅜	4½	AM Int				321	5¼	5⅛	5⅛	− ⅛
23½	20⅝	AM In pf	2	9.4		38	21⅜	21¼	21¼	
99½	40⅞	AMR			6	5673	90⅞	98¼	88⅜	
6⅝	3⅜	ARX				22	4¼	4⅛	4¼	
45½	26¼	ASA	3a	7.6		134	42⅜	42½	42⅞	− ⅜
22⅜	15¼	AVX	.24	1.3	9	203	18⅞	18½	18⅞	− ¼
96⅜	43⅜	AbtLab	1.40	2.2	18	3182	u66	34⅛	96	− ⅞
18¼	12⅜	Abitibi g	1			18	14⅞	14⅜	14⅞	+ ⅛
13	7½	AcmeC	.48	3.4		x118	11⅜	11½	11⅝	
8⅝	5⅞	AcmeE	.32	3.9	19	19	8⅞	8⅛	8⅛	
34⅞	28¼	Acusn			24	208	34⅜	34⅜	34⅜	− ⅛
18⅞	14¼	AdaEx	1.82e	11.		117	18⅜	16⅛	10⅞	+ ¼
15⅜	7⅛	AMD				2075	8⅛	8½	8½	− ⅛
39¼	28¼	AMD pf	3	9.8		1	28½	30½	30½	
11⅞	9½	Adobe				322	11	16⅞	16⅞	− ⅛
19¼	16½	Adob pf	1.84	9.8		27	18⅜	18½	18⅜	+ ⅛
21⅝	18⅞	Adob pf	2.40	11.		3	21⅛	21¼	21¼	+ ⅛
9⅜	6⅞	Advest	.12	1.5	14	193	8⅛	7⅛	8	
59⅛	40	AetnLf	2.76	4.7	9	2549	u59⅜	90½	28⅝	−1
14	12⅛	AfilPb				1261	12⅞	12⅜	12⅜	
23⅛	14⅝	Ahmans	.88	3.8	11	3220	u23⅛	22½	22⅞	+ ⅛

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Last	Close Quote	Ch'ge Prev. Close
7⅞	4⅝	RalGrp	.32	4.4	15	295	u 7⅜	7⅞	7¼	+ ⅛	
19⅝	15⅝	Rapecl n				1731	19⅝	19⅝	19⅝	+ ⅛	
6⅜	4⅛	RepGyp	.20	3.7	22	14	5½	5⅜	5⅜	− ⅛	
60⅜	47	RepNY	1.28	2.5	16	131	u51	50⅞	50⅞		
16⅞	7⅞	RExene	1e	13.	2	324	8	7⅞	8	+ ⅛	
35⅞	16¾	RayRay	.76	2.9	8	223	26⅞	25⅝	26⅝	+ ½	
62⅞	47⅛	RayMil	1.60	3.0	8	7529	54½	53⅛	53⅞	+ ⅝	
40½	26⅛	RiteAid	.82	2.1	17	2231	39¼	37⅞	38⅝	− 1	
⅞	3-16	RvrOak				28	7-32	3-16	3-16		
12⅝	6⅝	Robtsn				636	12⅝	12	12⅛	+ ⅛	
30⅞	21⅝	vjRobins			16	395	u30½	30⅛	30⅜		
21⅛	16½	RochG	1.50	7.3	11	366	20⅝	20⅞	20⅝	+ ⅛	
50⅜	45¾	RochTl	2.84	3.5	16	521	u51⅛	30⅝	31	+ ½	
20⅝	18⅛	RckCtr	1.84	9.3	15	393	20⅛	19⅝	19⅞	− ⅛	
23½	18⅝	Rockwl	.78	3.4	7	5852	23⅛	22⅝	22⅝	− ⅝	
162	136	Rldnt pf1.50		.9		3	123	162	162		
9⅛	4⅞	RodRen				27	5⅜	5⅞	5⅝		
37½	30⅝	RohHaas	1.20	3.6	16	1722	34⅞	33⅛	33½	− ⅛	
37⅞	25⅛	Rohr			16	1064	31⅝	30⅝	31¼	+ ⅞	
16⅞	9	RollnE s	.08		.8	3395	10⅛	10⅛	10⅝		
[illegible]											
48¼	44½	Xerox pf4.15		8.8		2	47	47	47	− ½	
44¼	20⅝	XTRA	.72	2.4	13	66	30⅜	30⅛	30⅜	− ½	
33	24½	XTRA pf1.94		7.5		1	26	26	26	− ⅛	
4¼	2	Zapata				1454	3¼	3⅛	3⅛	− ⅛	
16½	10⅛	Zemex	.40	3.6	125	11	11½	11¼	11¼	− ⅜	
24½	16½	ZenithE				2250	17⅛	d16⅛	16½	− ⅝	
10⅜	8⅞	Zenlnc	1.26	14.		116	9¼	9⅛	9¼	− ⅛	
2⅜	1⅛	vjZenLb				333	1⅛	1⅛	1⅛		
21¼	16	ZeoNtl	.84	4.3	9	80	19⅝	19½	19⅝		
22⅞	14⅝	Zero	.50	2.3	19	80	21¼	21⅞	21⅞	+ ⅛	
48¼	21	Zurnin	.60	1.9	21	617	43⅛	42⅝	42	+ ½	
72	16	Zweig	1.09e	9.3		564	11⅞	11¼	11⅞		
19⅞	6¾	Zweig e	.96	10.		2006	9⅝	9¼	9⅝		

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 20 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

5pm prices August 1

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 5pm prices August 1

[illegible]

FINANCIAL TIMES

Wednesday August 2 1989

AMERICA

Explosive rally in bonds fails to hold Dow's gains

Wall Street

AN explosive rally in the bond market failed to follow through into equities yesterday, despite bursts of buying interest in the course of the morning, *writes Karen Zagor in New York.*

By 2 pm. the Dow Jones Industrial Average was down 10.43 points at 2,650.23. Volume was very heavy on the New York Stock Exchange with 160.9m shares changing hands. Despite the fall in the blue chip index, issues rising in price slightly outnumbered those falling. The Standard & Poor's index rose by 1.02 to 347.10.

In the course of the morning, stocks attempted to rally on the strength of a surging bond market. Sharp rises in bond prices were prompted by the release of July's purchasing managers' index which fell more dramatically than expected, from 48.8 per cent in June to 46 per cent in July. This leading indicator has now registered a decline in the manufacturing economy for three consecutive months.

In addition, new orders for July were at their lowest since November 1982, and production was down for the first time in three years. Construction spending fell 0.8 per cent in June, and May spending was revised down to 0.6 per cent from 1.3 per cent.

In midsession trading the Treasury's benchmark 30-year bond was up 2¼ points at 112⅜, yielding 7.76 per cent. The Federal Reserve arranged one-day matched sales when Fed funds were trading at 8⅞ per cent.

The dollar remained soft in early afternoon trading, at Y136.95 and DM1.8665, little changed from Monday's close.

Although the Dow was up by as much as 12 points shortly after noon, it soon gave up its gains, apparently for fear that a slower economy will restrict corporate profits. However, IBM continued to advance with a gain of $1⅛ to $116⅛. The issue is still well below its post-crash high of over $130.

Kodak fell $⅞ to $47⅞ in active trading after reporting poor second quarter results. Net income for the period was 18 cents a share against $1.20 a year earlier.

However, a sharp decline in profits at Pennzoil had little impact on Wall Street, where the stock advanced $⅞ to $80⅞.

Improved earnings at Emerson Electric helped push the share price to $37⅞, up $⅞. The company reported a 15 per cent gain in net income to 69 cents a share from 60 cents a share the previous year.

Northrop slid $⅛ to $25⅞ after the Senate voted to increase its financial liability to repair technical or manufacturing problems that might inflict the B-2 stealth bomber.

Lomas Financial fell $1⅛ to $7⅛ after the financial services company suspended its dividends on its common and preferred stock. The company lost $282m in the fiscal year ended June 30.

Squibb, which last week agreed to merge with Bristol-Myers, continued to decline after gaining $23⅛ to $110⅞ on Friday. Yesterday the stock was down $⅞ to $110⅛.

Among other pharmaceutical companies, Merck dropped $⅞ to $75⅞. Erbamont added $⅞ to $36⅞; on Monday it jumped $5⅛ after the Italian company Montedison said it intended to buy the remaining outstanding stock in the company for $35 in cash, plus warrants.

Texas Air, the parent of troubled Eastern Air Lines, lost $⅛ to $16⅛. AMR, the parent of American Airlines, gained $⅞ to $69, and Delta Air Lines added $⅛ to $72⅞.

Canada

AFTER a bouncy morning in which they rose, fell, and rose again, Toronto stocks were higher in mid-session.

The composite index gained 6.7 points to 3,977.4 at mid-day, with metal stocks in the van.

EUROPE

Frankfurt sets the pace for a powerful day

WEST German shares took over the reins again in a bullish day for bourses, *writes Our Markets Staff.*

FRANKFURT decided its breather had lasted long enough and surged in active trading after three days of weak or mixed trading.

The FAZ index gained 11.18, or 1.75 per cent, to a post-crash peak of 649.82 and the DAX index reached a year's high of 1,578.91, up 24.75 or 1.6 per cent. Turnover was heavy at DM6.57bn – well up on Monday's DM3.7bn. Trading in insurance issues and some foreign options was extended by 20 minutes because of a pile-up of business.

A salesman said he expected the market's upward momentum to continue. He said some shares were being supported in advance of three big rights issues – those of Daimler, Commerzbank and Hypobank. And domestic investors, who had put more of their money into equities recently, were also keen to see the rally continue. "It is in everybody's interests to keep the market at least stable," he said.

Daimler was a feature, gaining DM32 to DM790 on heavy turnover and rising further in the after-market. The company said it expected the Federal Government to approve its purchase of MBB today.

Several large stocks, including Daimler, have now passed or are near to significant chart levels. The next important resistance level for the car maker, after passing DM770, is said to be DM1,000.

Foreign demand was strong for both Siemens and Deutsche Bank. Siemens, which had already broken through the key DM600 level, added DM8.50 to DM613.50 after reporting third-quarter results in line with expectations on Monday.

Deutsche Bank moved closer to its DM700 chart level, closing DM12.50 up at DM692.50 before reaching DM696 in the after-market. The bank is expected to announce good first half results tomorrow, following Dresdner Bank's 23 per cent increase in operating profit announced on Monday. Dresdner gained DM8.50 to DM378 yesterday.

Speculative buying kept Schering going, although brokers James Capel pointed out that any potential predator would have to purchase more than 90 per cent of outstanding shares in order to gain more than 4.2 per cent of the votes. The pharmaceuticals company, which on Monday reported first half results in line with expectations, said after the close that it was looking into the possibility that ICN of the US had renewed its attempt to buy a 25 per cent stake. Schering added DM17.50 to DM764.50.

Colonia, the insurer, which is being taken over by Victoire of France, dropped DM150 to DM950 after its DM301 jump the previous day.

PARIS rebounded swiftly from Monday's losses as the prime rate cuts in the US, Wall Street's strength overnight and a buoyant French bond market underpinned broad gains. Volume improved from Monday's FFr1.95bn to over FFr2bn, and possibly as high as FFr2.5bn.

Cie du Midi, the insurance conglomerate, gained FFr60 to FFr1,440 as investors welcomed the collaboration agreement between Midi, with its French partner Axa, and Generali of Italy, which has been seen as a predator up to now.

Elf Aquitaine edged up FFr2 to FFr507 after gaining US permission for its acquisition of Pennwalt, having agreed to sell one Pennwalt factory.

Financials were sought against a background of falling interest rates, with Crédit Foncier de France up FFr3 at FFr1,033 on a hefty 37,000 shares traded.

LVMH climbed FFr83 to FFr4,293 on 15,000 shares; the Paris arm of a leading UK brokerage was a large buyer.

The OMF 50 index rose 5.75, or 1.1 per cent, to 515.51.

SOUTH AFRICA

STRONG GAINS in leading mining financials led the market. The industrial index closed 12 higher at 2,700, 11 points up on Friday's high.

AMSTERDAM reached another all-time high on the strength of lower US interest rates and optimism about the latest round of corporate results, kicking off with Akzo's second quarter tomorrow.

The CBS all-share index rose 0.8 to 201.3, and the tendency index was up 1.3 at 193.7. Turnover surged to Fl 1.18bn, but a large proportion of this was due to the settlement of grey market trades over the past few weeks in two stocks that were split yesterday, Nedlloyd and Holland America Lines.

Insurers were particularly active, with NatNed climbing Fl 1.30 to Fl 68.90 and Amev Fl 1.20 to Fl 57.70.

Philips eased 30 cents to Fl 42 after its PolyGram recording unit announced it was buying Island Records, a UK recording company.

VNU, suspended on Monday for news of its deal with Vendex International on computer distribution, put on Fl 2.30 to Fl 66.70.

MILAN ended slightly higher, with banks again in the limelight. Banco di Roma rose L85 to L2,340 on speculation that discussions with Frankfurt's Commerzbank will lead to a share swap arrangement. Banco Lariano gained L290 to L5,520 on first half results which included a 54 per cent increase in operating profits.

The Comit index rose 2.61 to 683.11 in volume estimated near Monday's level of L180bn.

MADRID was firm again and showing more energy that of late, according to one salesman, with gains broadly based. The general index rose 1.76 to 305.69 and volume was estimated to be higher than Monday's $76m.

There was good news in the form of lower unemployment figures and the strength of shares in the US.

Stainless steel maker Acerinox lost 40 percentage points to 1,640 per cent of par after its uninspiring 10 per cent rise in first half profits, on sales up 34 per cent.

STOCKHOLM made its seventh consecutive high, although one dealer reckoned that the pips are beginning to squeak where the more marketable stocks are concerned.

The Affärsvärlden General index closed 2.5 points higher at 1,312.6, on volume which was high for this time of year.

HELSINKI closed better in very high volume as trading picked up after Finland's traditional summer holiday. The Unitas all-share index rose 1.2 to 779.7.

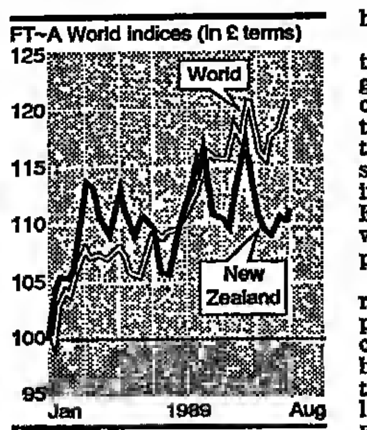
BRUSSELS was encouraged by Wall Street's overnight rise and a cut in Belgium's key three-month treasury bill rate. The cash market index gained 32.67 to 6,191.77 in more active trading. Turnover in Raffinerie Tirlemontoise, the sugar refiner, was again heavy at 111,900 shares traded, as it added BFr10 to BFr2,620.

New Zealand treads with care after neutral budget

Terry Hall on the pros and cons for share prices

THE New Zealand stock market has reacted cautiously to last week's budget, a complex affair full of pluses and minuses for business and the economy.

Finance Minister David Caygill's first budget since the departure of Mr Roger Douglas set out to steer a compromise path between the need for the Government to show a continued commitment to the welfare state and to economic constraint, including low fiscal deficits and inflation.



Hopes that Mr Caygill would acknowledge that this was an election year, and include some traditional give-aways to help lift the economy from its protracted recession, were dashed. These hopes had been fostered by statements from Mr David Lange, the Prime Minister, that the budget would be as reformist socially as that of the first Labour government from 1935, although he added that it would be economically conservative.

Up to budget night last Thursday, trading rose strongly and the Barclays index firmed from 1,920 on July 21 to 1,979. On the three days since then, stocks have stayed around that level, closing at 1,983.79 on the index yesterday, although turnover has eased. This reflects the view that the budget was neutral for the market.

On the positive side, the budget continues the attack on inflation, with a target of zero to 2 per cent by 1992. The battle, aided by the deep recession, has seen inflation cut to about 4 per cent.

The main election-winning strategy is the controversial decision not to repay overseas debt this year. Instead, the Government is to concentrate on repaying domestic debt in a bid to ease interest rate pressures. There will be no sales of new government stock and, by allowing about NZ$3.2bn (US$1.9bn) to mature, Mr Caygill is seeking a drop in interest rates of up to 3 per cent over the next nine months.

This move should make stocks more attractive, if it works. The problem is the likely rise in borrowing from state-owned enterprises and the private sector if the economy continues to pick up, as it is showing signs of doing.

There are negatives, too, for equity investors. Mr Caygill disappointed investors by not announcing a return to tax incentives for individuals on superannuation. There had been considerable lobbying by institutional investors for this, as removal of tax breaks had led many pension schemes to be wound up and thus there was much less money for equity and bond markets.

There are further costs to business. Employers will have to pay income tax on behalf of staff every fortnight instead of five weeks, which will hurt their cash flow but save the Government NZ$40m a year in its debt servicing. Corporate tax rises by NZ$300m a year. Changes in land tax will cost some companies more but save those owning inner-city tower blocks many millions.

So the budget has been seen as Mr Caygill taking with one hand and giving with another.

Interest in shares is cautiously returning after the global crash in 1987. A handful of shares are back at or near to the level they were fetching then, including the newspaper stocks, Wilson and Horton, and Independent Newspapers. So is Fletcher Challenge, in spite of worries at the international pulp and paper outlook.

Brierley Investments is returning to favour. Its share price is an indicator of growing confidence. It had sold at between NZ$5 and NZ$6 before the crash and last year fell as low as NZ$1.08. Yesterday it was firming at NZ$1.95. Taking into account last year's bonus issue, this equates with NZ$2.40, still less than half its pre-crash price.

Investors have had a tough time since October 1987, with the market now valued at about 40 per cent of its level then. Gains had been driven by the entrepreneurial and property stocks and 44 of these, out of 256 listed on the Stock Exchange at the time, have either crashed or been placed in receivership.

Chase Corporation, which had sold for as much as NZ$10, now sells for 6 cents.

The century-old NZI Corporation, one of the proudest companies on the exchange, suffered direly from its involvement in banking. General Accident of the UK paid NZ$2.45 a share in gaining 51 per cent of NZI in June 1988, and is now buying out the other 49 per cent for only 65 cents a share. Its traditional global insurance business continues to do well.

Brokers are making money again, as cautious optimism about the economic outlook revives. But it is a fragile confidence and prospects for the share market depend to a considerable extent on the strength of international commodity prices.

ASIA PACIFIC

Nervousness about high prices hits Nikkei

Tokyo

THE RECENT rapid rise in Japanese share prices brought caution and profit-taking to the market yesterday and shares ended broadly lower, *writes Michiyo Nakamoto in Tokyo.*

After a strong rise on Monday, shares opened lower as investors became nervous. The Nikkei average has climbed by more than 1,395 points, or almost 4 per cent, in the nine trading days since July 19. Investors felt a slower pace was called for and yesterday the Nikkei average eased throughout the day, losing more than 153 points at one stage. Buying from index funds later supported the Nikkei which trimmed its losses to 55.41, closing at 34,896.46.

The day's high was 34,963.55 and the low was 34,767.10. Declines outnumbered advances by 493 to 378 while 225 issues were unchanged. Turnover improved somewhat to 752m shares from the 551m traded on Monday. The Topix index of all listed shares dropped a modest 1.28 to 2,627.62; in London, the ISE/Nikkei 50 index eased 1.90 from the Tokyo close to 2,073.47.

Concern over high prices and an urge to take profits where possible dominated activity yesterday. The yen's sharp rebound against the dollar – hitting Y136 for the first time in two and a half months – was more worrying than encouraging.

In spite of its rapid gains, the market has lacked leading issues to give it focus. The efforts of the big brokers appeared to backfire and interest yesterday spread in all directions. Large capital issues were mixed. Nippon Steel topped the most actives list with 50.2m shares and advanced Y11 to Y890.

Kawasaki Steel, on the other hand, closed unchanged at Y954 after rising Y10 to Y964 and Mitsubishi Heavy Industries, widely regarded as the most promising market leader, was down Y10 at Y1,240.

Toshiba, another large volume issue tipped to be a market leader, was third in the most actives list with 16.9m shares traded but dropped Y10 to Y1,370. Electricals suffered from the stronger yen.

Speculative buying put Tokyu Corp second on the most actives list with 24.1m shares traded as it gained Y70 to Y1,920. Interest in Tokyu spilled over from Tokyu Department Store, rumoured to be the target of buying by speculators. Both are members of the Tokyu group of companies. Tokyu Department Store rose Y90 to Y1,900.

Enthusiasm waned in Osaka where the OSE average dipped 30.76 to close at 34,106.17. Volume rose 64m shares from 55m.

Roundup

THERE WAS some coming and going in Asia Pacific markets yesterday – shares coming up, then going nearly all the way down again.

HONG KONG failed to pierce the psychologically important 2,600 level. Although the Hang Seng index got close in the morning, with a high of 2,593, it lost ground all afternoon to show a marginal, 7.88 points gain on the day to 2,578.96.

Turnover slowed to HK$1.31bn from Monday's HK$1.44bn.

The company feature of the day was the award of the government's tender for the construction of a cable-television network to a consortium led by Wharf (Holdings). Wharf also reported results on the day which were regarded as slightly disappointing; and analysis of the cable contract news left analysts wondering about the costs of the exercise. However, Wharf shares rose 15 cents to HK$8.75.

AUSTRALIA went through a similar process. Shares opened strongly on Wall Street's surge on Monday and a rally in the gold price, but early gains withered on the vine and the All Ordinaries index ended 4.4 points better at 1,638.6 after an intraday high of 1,642.2.

Turnover edged up from A$170m to A$182m. Brokers said that overseas buying started the market on its early advance, but that the reluctance of local investors to follow Wall Street's lead prevented the momentum from being sustained.

The mining concern, MIM, topped national turnover again, as it closed 1 cent lower at A$2.32 with 7m shares changing hands. BTR Nylex reached a high for the year, adding 12 cents to A$5.80.

SINGAPORE saw lower-priced issues, warrants and Malaysian speculative stocks again attracting the bulk of investor interest, but this did not help the blue chips and the Straits Times Industrial index fell 5.21 points to 1,367.08.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 31 1989						FRIDAY JULY 28 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	142.22	+1.5	126.52	125.10	+0.4	4.75	140.05	126.23	124.64	157.12	128.28	148.20
Austria (19)	129.51	+1.7	115.22	125.69	+0.7	1.93	127.37	114.79	124.76	129.51	92.84	86.48
Belgium (63)	134.99	+1.4	120.09	130.49	+0.8	4.18	133.16	120.02	130.04	137.10	125.58	113.08
Canada (124)	148.93	+0.4	133.30	128.13	+0.1	6.14	149.22	134.48	128.04	149.83	124.87	124.81
Denmark (36)	216.13	+1.2	192.28	213.48	+0.2	1.47	213.55	192.47	215.04	219.89	165.35	126.80
Finland (26)	144.33	+1.8	128.40	127.81	+0.6	2.14	142.45	128.39	126.81	159.18	125.61	128.38
France (127)	131.51	+0.8	117.00	130.27	-0.4	2.91	130.48	117.55	130.73	131.51	112.57	92.76
West Germany (100)	97.17	+1.0	86.45	94.24	-0.2	2.18	96.21	86.71	94.39	97.69	79.56	75.16
Hong Kong (49)	107.86	+1.8	95.97	106.11	+1.9	4.97	105.93	95.47	106.15	140.33	86.41	109.93
Ireland (17)	158.34	+1.8	140.87	155.91	+0.2	2.69	155.56	140.22	155.53	158.34	125.00	136.59
Italy (97)	93.26	+1.1	82.97	93.41	+0.0	2.40	92.28	83.17	93.46	93.26	74.97	73.48
Japan (455)	193.44	+2.8	172.09	167.48	+0.9	0.47	188.14	169.56	165.98	200.11	164.22	169.47
Malaysia (36)	190.48	+0.4	169.46	195.14	+0.6	2.46	189.74	171.00	194.52	190.48	143.35	152.54
Mexico (13)	268.22	-0.9	238.62	741.80	-0.9	0.68	270.69	243.96	748.18	277.40	153.32	156.11
Netherland (43)	128.86	+1.4	114.64	123.74	+0.3	4.16	127.03	114.48	123.38	128.86	110.63	106.94
New Zealand (21)	68.50	+0.2	60.94	62.09	-0.5	6.00	68.34	61.60	62.38	76.02	62.64	80.06
Norway (25)	184.48	+0.5	164.13	171.53	-0.4	1.50	183.58	165.45	172.16	198.39	139.92	121.74
Singapore (26)	169.43	+0.6	150.73	152.25	+0.2	1.86	168.46	151.82	151.88	169.43	124.57	133.61
South Africa (60)	147.16	-0.5	130.92	134.03	+0.1	4.01	147.94	133.34	133.61	153.27	115.35	115.38
Spain (43)	155.36	+1.6	138.22	137.77	+0.6	3.75	152.68	137.59	136.93	156.17	143.14	147.68
Sweden (35)	184.33	+1.2	163.99	174.17	+0.6	1.97	182.16	164.19	173.21	184.33	136.45	118.47
Switzerland (64)	91.47	+1.6	81.38	91.11	+0.5	2.11	90.01	81.12	90.62	91.47	67.81	77.29
United Kingdom (312)	158.16	+0.9	140.70	140.70	-0.4	4.12	156.68	141.21	141.21	168.18	133.28	133.27
USA (552)	140.75	+1.1	125.22	140.75	+1.1	3.23	139.25	125.50	139.25	140.75	112.13	110.88
Europe (1007)	131.01	+1.1	116.56	122.21	-0.1	3.36	129.62	116.82	122.58	131.01	112.63	105.98
Nordic (122)	175.63	+1.1	156.24	161.85	+0.3	1.75	173.68	156.51	161.32	175.63	137.95	114.12
Pacific Basin (672)	188.21	+2.7	167.44	163.54	+0.9	0.69	183.16	165.10	162.09	194.72	160.44	166.27
Euro-Pacific (1679)	165.42	+2.2	147.17	146.97	+0.6	1.55	161.86	145.88	146.15	165.42	141.56	142.15
North America (676)	141.18	+1.0	125.61	139.96	+1.0	3.23	139.75	125.95	138.58	141.19	112.79	111.62
Europe Ex. UK (695)	113.94	+1.2	101.58	110.79	+0.1	2.77	112.61	101.46	110.72	113.94	96.30	89.04
Pacific Ex. Japan (217)	125.69	+1.4	111.82	114.67	+0.7	4.56	123.92	111.68	113.64	137.65	111.93	127.73
World Ex. US (1676)	164.77	+2.1	146.58	146.43	+0.5	1.82	161.36	145.43	145.65	164.77	141.49	141.30
World Ex. UK (2116)	154.81	+1.9	137.73	144.85	+0.8	1.94	151.98	136.97	143.87	154.81	136.98	129.16
World Ex. So. Af. (2368)	155.15	+1.8	138.02	144.51	+0.7	2.13	152.41	137.37	143.48	155.15	138.67	129.60
World Ex. Japan (1973)	136.93	+1.0	121.82	132.73	+0.6	3.33	135.51	122.18	131.97	136.93	114.51	110.35
The World Index (2428)	155.09	+1.8	137.98	144.44	+0.7	2.14	152.39	137.34	143.42	155.09	138.68	129.51

Latest prices were unavailable for this edition.